

**City of Osseo  
Hennepin County, Minnesota**

**Basic Financial Statements**

**December 31, 2022**



**City of Osseo  
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**City of Osseo  
Elected Officials and Administration  
December 31, 2022**

Elected Officials	Position	Term Expires
Duane Poppe	Mayor	December 31, 2022
Alicia Vickerman	Council Member	December 31, 2024
Harold E. Johnson	Council Member	December 31, 2024
Larry Stelmach	Council Member	December 31, 2022
Julianna Hultstrom	Council Member	December 31, 2022
<b>Administration</b>		
Riley Grams	City Administrator/ EDA Executive Director	Appointed
<b>EDA Officials</b>		
Duanne Poppe	President	December 31, 2024
Larry Stelmach	Vice President	December 31, 2022
Harold Johnson	Treasurer	December 31, 2022
Teresa Aho	Assistant Treasurer	December 31, 2024
Kenny Nelson	Member	December 31, 2025
Ashlee Mueller	Member	December 31, 2024
Deanne Burke	Member	December 31, 2028

## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Osseo  
Osseo, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Osseo as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Osseo's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Osseo as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof, and the 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 (GAAS) 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 City of Osseo 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.

#### **Emphasis of Matter – Implementation of GASB 87**

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

The City of Osseo's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Responsibilities of Management for the Financial Statements (Continued)**

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 City of Osseo's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, 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 City of Osseo'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 City of Osseo'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, which follows this report letter, and Required Supplementary information as listed in the Table of Contents 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osseo's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Minneapolis, Minnesota  
July 26, 2023

## **City of Osseo Management's Discussion and Analysis**

As management of the City of Osseo, 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 year ended December 31, 2022. In 2022, the EDA is no longer reported as a blended component unit. Comparisons of financial information in the government-wide financial statements should be read in this context.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent year by \$14,162,865.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,071,119.
- At the end of the current year, unassigned fund balance for the General Fund was \$1,110,398 or 35.45% of 2022 total General Fund expenditures and transfers out and 33.67% of the 2023 budgeted expenditures and transfers out.
- The net position of the governmental activities increased by \$233,313 and the net position of the business-type activities decreased by \$158,903.
- On March 26, 2018, S&P Global Ratings raised its long-term rating to "AA" from "AA-1" on the City's existing general obligation bonds and the City continues to maintain that rating in 2022.
- The City issued \$2,950,000 G.O. Bonds to finance the 2022 and 2023 street improvements.
- The utility portion of the 2022 G.O. Bonds for the water, sewer and stormwater infrastructure improvements totaled \$740,000 with the sewer lining improvements completed in 2022.
- The City also retired \$1,415,000 in scheduled bond principal in 2022.
- The City is not planning to issue any bonds for infrastructure improvements in 2023.

### **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 Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position presents information on the City's assets and deferred inflows and liabilities and deferred outflows, with the difference between them 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 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).



## **City of Osseo Management's Discussion and Analysis**

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, interest on long-term debt and intergovernmental. The business-type activities of the City include the water, sewer, and storm water.

The government-wide financial statements can be found on pages 15-17 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 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 the balances of spendable resources available at the end of the 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 of 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 adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund (page 25) to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

#### **Proprietary Funds**

The City's enterprise (proprietary) 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 services.

**City of Osseo  
Management's Discussion and Analysis**

**FUND FINANCIAL STATEMENTS (CONTINUED)**

**Proprietary Funds (Continued)**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and storm water services, all of which are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

**Notes to 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 Financial Statements can be found on pages 29-66 of this report.

**Component Unit**

The Osseo Economic Development Authority (EDA) has a seven-member governing body, with the Board's majority consisting of City Council members in 2021 and its financial activity reported as a blended component unit. In 2022 the composition of the EDA changed, and the financial activity of the EDA is no longer reported as a blended component unit.

**Comparative Data**

The General Fund total revenues increased in 2022 by \$166,768. The general property tax revenue increased by \$108,128. Licenses and permits and charges for services increased by \$31,581 as these revenue sources have increased as the City moves past the impact of the pandemic. The General Fund expenditures increased by \$125,701 excluding transfers out. Budgeted transfers out totaled \$565,870 in 2021 and \$625,870 in 2022 in accordance with the City's long-term capital improvement plan. The overall General Fund Balance decreased \$54,223. The General Fund balance decrease was a result of contracted services and overtime that was not budgeted, but necessary, for snow management and inspection services and the market value adjustment of investments.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,162,865 at the close of the most recent year.

The largest portion of the City's net position reflects its investment in its capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City 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 Osseo  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 9,452,604	\$ 8,298,889	\$ 3,919,539	\$ 4,999,015	\$ 13,372,143	\$ 13,297,904
Capital assets	13,070,287	12,815,210	5,437,376	3,994,498	18,507,663	16,809,708
Total assets	<u>\$ 22,522,891</u>	<u>\$ 21,114,099</u>	<u>\$ 9,356,915</u>	<u>\$ 8,993,513</u>	<u>\$ 31,879,806</u>	<u>\$ 30,107,612</u>
Deferred outflows of resources	<u>\$ 1,797,486</u>	<u>\$ 1,067,994</u>	<u>\$ 77,045</u>	<u>\$ 73,981</u>	<u>\$ 1,874,531</u>	<u>\$ 1,141,975</u>
Long-term liabilities outstanding	\$ 13,554,870	\$ 9,508,195	\$ 3,773,020	\$ 3,067,212	\$ 17,327,890	\$ 12,575,407
Other liabilities	1,661,101	2,003,820	472,762	606,065	2,133,863	2,609,885
Total liabilities	<u>\$ 15,215,971</u>	<u>\$ 11,512,015</u>	<u>\$ 4,245,782</u>	<u>\$ 3,673,277</u>	<u>\$ 19,461,753</u>	<u>\$ 15,185,292</u>
Deferred inflows of resources	<u>\$ 81,098</u>	<u>\$ 1,296,203</u>	<u>\$ 48,621</u>	<u>\$ 95,757</u>	<u>\$ 129,719</u>	<u>\$ 1,391,960</u>
Net position						
Net investment in capital assets	\$ 3,565,457	\$ 4,943,980	\$ 2,512,000	\$ 1,641,177	\$ 5,192,676	\$ 5,905,157
Restricted	4,122,550	4,760,951	-	-	4,122,550	4,760,951
Unrestricted	<u>1,335,301</u>	<u>(331,056)</u>	<u>2,627,557</u>	<u>3,657,283</u>	<u>4,847,639</u>	<u>4,006,227</u>
Total net position	<u>\$ 9,023,308</u>	<u>\$ 9,373,875</u>	<u>\$ 5,139,557</u>	<u>\$ 5,298,460</u>	<u>\$ 14,162,865</u>	<u>\$ 14,672,335</u>

In June 2012, the Governmental Accounting Standards Board (GASB 68) issued new public pension accounting rules that took effect in fiscal year 2015 for local and state governments. The "Net Pension Liability" is calculated by the Public Employees Retirement Association (PERA) actuary, and a pro-rata share of the liability is recorded on the City's Statement of Net Position. The City's share of the net pension liability is reported in footnote 10.

Governmental activities increased the City's net position by \$233,313 to \$9,023,308.

**Business-Type Activities**

Business-type activities net position decreased by \$158,903. The following highlights the change in the net position of the business accounts:

- The Water Fund charges for services decreased by (\$73,615) and operating expenses increased by \$92,516. The operating loss of the Water Fund is \$44,272. Other income includes antennae rental income totaling \$98,513 together with interest income totaling (\$10,037). Net position in the water fund decreased by \$19,379. Transfers out total \$39,301 and include the Water Fund contribution to the debt service of various bond issues over the past several years and contributions for future capital equipment needs.
- The Sewer Fund charges for services decreased by \$1,988 and operating expenses increased by \$183,511. The operating loss of \$97,536 together with interest income of (\$22,776) accounted for a decrease in the Sewer Fund net position. Transfers out for contributions to debt service totaled \$24,795. The net position decreased by \$153,529.
- The Storm Water Fund charges for services increased by \$13,488 and operating expenses increased by \$20,463. The operating income totaled \$103,884. Transfers to other funds for debt service totaled \$72,077. The net position increase was \$14,005.

**City of Osseo  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities (Continued)**

- The City completed a utility rate study in 2022 and rates were adjusted beginning January 1, 2023, to finance ongoing operations and the 2020, 2021, and 2022 improvements.
- Beginning in 2018, the City is allocating any portion of bonds issued that include utility (water, sewer, or storm water) improvements to the respective enterprise funds. In prior years, the City has reported the liability for the bond issue in the governmental funds and transferred monies as necessary to finance the enterprise portion of the debt.
- Transfers out total \$136,173 in 2022 and include the enterprise fund contributions for debt service on bonds issued prior to 2018 and financing for future utility fund capital equipment needs.
- Bonds were issued in 2020 and were issued again in 2022 to complete all upgrades to the sanitary sewer lift stations and related technology, complete all City sewer lining projects, replace all water meters, and upgrade the related meter reading software.

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 303,557	\$ 316,717	\$ 1,318,557	\$ 1,388,086	\$ 1,622,114	\$ 1,704,803
Operating grants and contributions	158,301	295,925	52,762	-	211,063	295,925
Capital grants and contributions	707,835	308,052	-	-	707,835	308,052
General revenues						
Taxes	2,000,308	1,825,020	-	-	2,000,308	1,825,020
Grants and contributions not restricted to specific programs	762,748	1,664,365	-	-	762,748	1,664,365
Other	335,292	23,658	(49,353)	13,351	285,939	37,009
Total revenues	<u>4,268,041</u>	<u>4,433,737</u>	<u>1,321,966</u>	<u>1,401,437</u>	<u>5,590,007</u>	<u>5,835,174</u>
<b>Expenses</b>						
General government	1,016,927	876,485	-	-	1,016,927	876,485
Public safety	1,732,907	1,510,888	-	-	1,732,907	1,510,888
Public works	900,963	1,229,611	-	-	900,963	1,229,611
Culture and recreation	212,323	183,004	-	-	212,323	183,004
Economic development	176	461,623	-	-	176	461,623
Interest on long-term debt	307,605	243,129	-	-	307,605	243,129
Water	-	-	517,151	485,050	517,151	485,050
Sewer	-	-	700,682	554,904	700,682	554,904
Storm water	-	-	126,863	106,051	126,863	106,051
Total expenses	<u>4,170,901</u>	<u>4,504,740</u>	<u>1,344,696</u>	<u>1,146,005</u>	<u>5,515,597</u>	<u>5,650,745</u>
Increase in net position before transfers	97,140	(71,003)	(22,730)	255,432	74,410	184,429
Transfers	136,173	232,110	(136,173)	(232,110)	-	-
Increase (decrease) in net position	<u>233,313</u>	<u>161,107</u>	<u>(158,903)</u>	<u>23,322</u>	<u>74,410</u>	<u>184,429</u>
<b>Net Position</b>						
Beginning	9,373,875	9,212,768	5,298,460	5,275,138	14,672,335	14,487,906
Prior period adjustment	(583,880)	-	-	-	(583,880)	-
Ending	<u>\$ 9,023,308</u>	<u>\$ 9,373,875</u>	<u>\$ 5,139,557</u>	<u>\$ 5,298,460</u>	<u>\$ 14,162,865</u>	<u>\$ 14,672,335</u>

**City of Osseo  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Financial Analysis of the Government'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 City's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$7,071,119. Approximately 14.50%, or \$1,025,473 of this total amount constitutes unassigned fund balance. The unassigned fund balance includes a fund balance deficit in the 2020 Improvement Project Capital Projects Fund of \$83,274.

The restricted, committed, or assigned fund balances indicate that the expenditures are limited to the eligible expenditures imposed by other governing bodies, funds that are identified for use under the City's capital plans, or is already restricted for debt service.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

The proprietary funds current year net position decreased by \$158,903 is primarily due to operating loss of \$37,924 and transfers out totaling \$136,173.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund balance decreased by \$54,223 during the current year. Of the total fund balance of \$1,129,252, \$18,854 relates to prepaid items and is considered non-spendable and \$1,110,398 is unassigned and available for spending as of December 31, 2022.

The City's 2022 General Fund revenue includes \$2,424 of excess TIF revenue (reported as part of property tax revenue). General Fund property tax revenues were \$108,128 more than 2021. The City received \$187,337 in license and permit revenue compared to the estimated budget of \$183,850. The total General Fund actual revenue and transfers in were \$2,987 less than anticipated. The General Fund expenditures totaled \$2,506,836 compared to a budgeted expenditure total of \$2,455,600. The variance is \$51,236 and is primarily due to several smaller variances including snow removal and inspection services.

The total fund balance at year end is below the parameters of the City's policy of maintaining a fund balance that is approximately 40-50% of the subsequent year's budgeted expenditures. In accordance with the City's fund balance policy, the increase required to meet the minimum fund balance will be included in the next budget cycle.

**City of Osseo  
Management's Discussion and Analysis**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, totaled \$18,507,663 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, and machinery and equipment. The Street Management Plan started with the 2014 improvements and will continue thru 2023 to complete the infrastructure improvements throughout the entire City. The Street Management Plan includes capital and maintenance expenditure estimates through 2030. In addition, the City's 2020 bond issue and the bonds issued in 2022 include the financing for the major utility infrastructure improvements capitalized in 2021 and 2022. The net increase in business type capital assets totaled \$1,776,300 in the current year.

**Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 824,809	\$ 775,536	\$ 46,035	\$ 46,035	\$ 870,844	\$ 821,571
Construction in Progress	35,784	109,819	-	961,039	35,784	1,070,858
Infrastructure	16,809,805	15,743,462	6,416,444	3,912,082	23,226,249	19,655,544
Buildings and Building Improvements	4,286,101	4,286,101	-	-	4,286,101	4,286,101
Improvements Other than Buildings	469,634	469,634	-	-	469,634	469,634
Machinery and Equipment	2,511,260	2,382,790	1,287,584	1,054,607	3,798,844	3,437,397
<b>Total Capital Assets</b>	<b>\$ 24,937,393</b>	<b>\$ 23,767,342</b>	<b>\$ 7,750,063</b>	<b>\$ 5,973,763</b>	<b>\$ 32,687,456</b>	<b>\$ 29,741,105</b>

Additional information on the City's capital assets can be found in Note 7 on pages 40-41 of this report. Pages 40 and 41 include the allocation of depreciation expense to the various governmental activities.

**Long-Term Debt**

At the end of the current year the City had total bonded debt, including the lease revenue bonds, of \$14,290,000. The G.O. Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Bonds include general property taxes, special assessments, and contributions from the enterprise funds. The lease revenue bonds will be paid by the annual budget appropriations of the City Council. At the end of the current year the EDA had total bonded debt \$465,000. The G.O. Tax Increment Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Tax Increment Bonds include tax increments.

**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation (G.O.)	\$ 9,900,000	\$ 8,075,000	\$ 3,550,000	\$ 3,000,000	\$ 13,450,000	\$ 11,075,000
G.O. Tax Increment	-	515,000	-	-	-	515,000
Revenue Bond Payable	840,000	890,000	-	-	840,000	890,000
<b>Total</b>	<b>\$ 10,740,000</b>	<b>\$ 9,480,000</b>	<b>\$ 3,550,000</b>	<b>\$ 3,000,000</b>	<b>\$ 14,290,000</b>	<b>\$ 12,480,000</b>

**City of Osseo  
Management's Discussion and Analysis**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt (Continued)**

In March, 2018 Standard and Poor's (S & P) reviewed the City's rating of its long-term debt and increased the rating to AA from AA-1. The AA rating was reaffirmed with the issuance of the 2022 improvement bonds. The S & P report noted a strong economy along with the City's strong management with good financial policies, practices, and strong budgetary performance.

Additional information on the City's long-term debt can be found in Note 8 on pages 42-46.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- The City's tax capacity valuation has increased again for 2022 general property taxes extending this trend over the past several years.
- The tax capacity rate has decreased from 77.83% in 2013 to an estimated 52.84% for property taxes payable in 2023.
- The 2023 General Fund budget includes estimated revenue of \$3,346,929 and estimated expenditures totaling \$3,297,816. The \$49,000 additional revenue is intended to increase fund balance in accordance with the City's policy.
- The City increased the utility rates in 2023 after completing a utility rate study. Rates were increased to finance ongoing operations and equipment and infrastructure improvements included in the 2020 and 2022 bond issue.
- The City completed the Central Avenue improvement project in 2021. The net cost to the City is approximately \$375,000 and was financed with resources available in the Streets Capital Projects Fund, an intergovernmental grant, and an assessment against a benefitting property.
- With the completion of the projects financed by the bonds issued in 2020 and the bonds issued in 2022, the City will have completed the upgrade of all sewer lift stations and the related monitoring technology, completed the lining of all sewer lines, and completed the replacement of all water meters and upgraded the meter reading and billing software.
- The 2021 Alley Capital Projects Fund has a fund balance of \$1,949,931. This represents unexpended bond proceeds from the 2022 bond issue. A portion of that project was delayed but is intended to be completed in the next two years.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City at 415 Central Avenue, Osseo, Minnesota 55369.

## **BASIC FINANCIAL STATEMENTS**



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**City of Osseo  
Statement of Net Position  
December 31, 2022**

	Governmental Activities	Business-Type Activities	Total	Economic Development Authority Component Unit
<b>Assets</b>				
Cash and investments (including cash and equivalents)	\$ 7,006,961	\$ 3,247,834	\$ 10,254,795	\$ 1,685,470
Property tax receivable	14,073	-	14,073	-
Accounts receivable	24,060	441,152	465,212	18,438
Interest receivable	43,580	-	43,580	-
Due from other governments	123,407	52,762	176,169	-
Due from other funds (internal balances)	(78,062)	78,062	-	-
Due from component unit	462,284	17,460	479,744	-
Mortgages receivable	-	-	-	304,023
Special assessments receivable				
Delinquent	2,567	-	2,567	-
Deferred	1,681,003	13,237	1,694,240	-
Lease receivable	-	45,447	45,447	-
Prepaid items	18,854	23,585	42,439	-
Net pension asset	153,877	-	153,877	-
Capital assets				
Land	824,809	46,035	870,844	-
Construction in progress	35,784	-	35,784	-
Capital assets being depreciated				
Infrastructure	16,809,805	6,416,444	23,226,249	-
Buildings	4,286,101	-	4,286,101	-
Improvements	469,634	-	469,634	-
Machinery and equipment	2,511,260	1,287,584	3,798,844	-
Less accumulated depreciation	(11,867,106)	(2,312,687)	(14,179,793)	-
Total capital assets	<u>13,070,287</u>	<u>5,437,376</u>	<u>18,507,663</u>	<u>-</u>
Total assets	<u>22,522,891</u>	<u>9,356,915</u>	<u>31,879,806</u>	<u>2,007,931</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to fire relief pensions	34,743	-	34,743	-
Deferred outflows of resources related to city pensions	1,748,974	75,893	1,824,867	-
Deferred outflows of resources related to other post employment benefits	13,769	1,152	14,921	-
Total deferred outflows of resources	<u>1,797,486</u>	<u>77,045</u>	<u>1,874,531</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 24,320,377</u>	<u>\$ 9,433,960</u>	<u>\$ 33,754,337</u>	<u>\$ 2,007,931</u>
<b>Liabilities</b>				
<b>Liabilities</b>				
Accounts payable	\$ 323,672	\$ 114,227	\$ 437,899	\$ 199,431
Contracts payable	42,008	67,593	109,601	-
Salaries and benefits payable	27,092	5,607	32,699	-
Due to primary government	-	-	-	479,744
Due to other governments	18	1,486	1,504	-
Interest payable	122,834	34,325	157,159	6,106
Unearned revenue	151,370	-	151,370	-
Bonds payable, net of premiums				
Due within one year	800,000	205,000	1,005,000	100,000
Due in more than one year	10,269,611	3,496,124	13,765,735	365,000
Compensated absences payable				
Due within one year	194,107	44,524	238,631	-
Due in more than one year	26,487	-	26,487	-
Total other post employment benefits (OPEB) liability	545,232	45,606	590,838	-
Net pension liability	2,713,540	231,290	2,944,830	-
Total liabilities	<u>15,215,971</u>	<u>4,245,782</u>	<u>19,461,753</u>	<u>1,150,281</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to city pensions	27,621	3,174	30,795	-
Deferred inflows of resources related to fire relief pensions	53,477	-	53,477	-
Deferred inflows of resources related to lease receivable	-	45,447	45,447	-
Total deferred inflows of resources	<u>81,098</u>	<u>48,621</u>	<u>129,719</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	3,565,457	2,512,000	5,192,676	-
Restricted for				
Park improvements	114,182	-	114,182	-
Debt service	3,362,206	-	3,362,206	-
Economic development authority	-	-	-	858,689
Other purposes	646,162	-	646,162	-
Unrestricted	1,335,301	2,627,557	4,847,639	(1,039)
Total net position	<u>9,023,308</u>	<u>5,139,557</u>	<u>14,162,865</u>	<u>857,650</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,320,377</u>	<u>\$ 9,433,960</u>	<u>\$ 33,754,337</u>	<u>\$ 2,007,931</u>

**City of Osseo  
Statement of Activities  
Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
General government	\$ 1,016,927	\$ 85,551	\$ 19,556
Public safety	1,732,907	148,975	108,368
Public works	900,963	-	-
Culture and recreation	212,323	69,031	30,377
Economic development	176	-	-
Interest and fiscal charges on long-term debt	307,605	-	-
Total governmental activities	<u>4,170,901</u>	<u>303,557</u>	<u>158,301</u>
Business-type activities			
Water	517,151	556,343	-
Sewer	700,682	540,661	52,762
Storm water	126,863	221,553	-
Total business-type activities	<u>1,344,696</u>	<u>1,318,557</u>	<u>52,762</u>
Total governmental and business-type activities	<u>\$ 5,515,597</u>	<u>\$ 1,622,114</u>	<u>\$ 211,063</u>
EDA Component Unit	<u>\$ 674,900</u>	<u>\$ -</u>	<u>\$ 28,437</u>
		General revenues	
		Property taxes	
		Franchise taxes	
		Tax increments	
		Intergovernmental	
		State aids	
		Investment earnings	
		Other general revenue	
		Transfers	
		Total general revenues and transfers	
		Change in net position	
		Net position - beginning	
		Change in accounting principle (see Note 14)	
		Net position - beginning, as restated	
		Net position - ending	

Program Revenues Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position			EDA Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (911,820)	\$ -	\$ (911,820)	\$ -
-	(1,475,564)	-	(1,475,564)	-
707,835	(193,128)	-	(193,128)	-
-	(112,915)	-	(112,915)	-
-	(176)	-	(176)	-
-	(307,605)	-	(307,605)	-
<u>707,835</u>	<u>(3,001,208)</u>	<u>-</u>	<u>(3,001,208)</u>	<u>-</u>
-	-	39,192	39,192	-
-	-	(107,259)	(107,259)	-
-	-	94,690	94,690	-
-	-	26,623	26,623	-
<u>\$ 707,835</u>	<u>(3,001,208)</u>	<u>26,623</u>	<u>(2,974,585)</u>	<u>-</u>
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646,463)</u>
	1,884,157	-	1,884,157	-
	116,151	-	116,151	-
	-	-	-	934,251
	87,466	-	87,466	-
	675,282	-	675,282	-
	(60,236)	(49,353)	(109,589)	(14,018)
	395,528	-	395,528	-
	136,173	(136,173)	-	-
	<u>3,234,521</u>	<u>(185,526)</u>	<u>3,048,995</u>	<u>920,233</u>
	233,313	(158,903)	74,410	273,770
	9,373,875	5,298,460	14,672,335	-
	(583,880)	-	(583,880)	583,880
	<u>8,789,995</u>	<u>5,298,460</u>	<u>14,088,455</u>	<u>583,880</u>
<u>\$ 9,023,308</u>	<u>\$ 5,139,557</u>	<u>\$ 14,162,865</u>	<u>\$ 857,650</u>	

**City of Osseo**  
**Balance Sheet - Governmental Funds**  
**December 31, 2022**

	Debt Service		
	General Fund (101, 200)	2016B G.O. Improvement Refunding Bonds (365)	2022A G.O. Bond (314)
<b>Assets</b>			
Cash and investments	\$ 665,885	\$ 329,550	\$ 205,017
Taxes receivable - delinquent	12,656	959	-
Special assessments receivable			
Delinquent	-	1,172	-
Deferred	6,026	423,464	409,444
Accounts receivable	24,060	-	-
Interest receivable	43,580	-	-
Due from other governments	3,851	-	-
Due from component unit	462,284	-	-
Prepaid items	18,854	-	-
	<u>1,237,196</u>	<u>755,145</u>	<u>614,461</u>
Total assets	<u>\$ 1,237,196</u>	<u>\$ 755,145</u>	<u>\$ 614,461</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 74,458	\$ -	\$ -
Contracts payable	-	-	-
Salaries and benefits payable	27,092	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>101,550</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	12,656	959	-
Unavailable revenue - special assessments	(6,262)	424,124	409,444
Total deferred inflows of resources	<u>6,394</u>	<u>425,083</u>	<u>409,444</u>
<b>Fund Balances</b>			
Nonspendable	18,854	-	-
Restricted	-	330,062	205,017
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,110,398	-	-
Total fund balances	<u>1,129,252</u>	<u>330,062</u>	<u>205,017</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,237,196</u>	<u>\$ 755,145</u>	<u>\$ 614,461</u>

Capital Projects

<u>Streets (130)</u>	<u>2021 Alley Project (410 and 412)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 970,446	\$ 2,204,945	\$ 2,631,118	\$ 7,006,961
-	-	458	14,073
-	-	1,395	2,567
40,273	-	801,796	1,681,003
-	-	-	24,060
-	-	-	43,580
100,000	-	19,556	123,407
-	-	-	462,284
-	-	-	18,854
<u>\$ 1,110,719</u>	<u>\$ 2,204,945</u>	<u>\$ 3,454,323</u>	<u>\$ 9,376,789</u>
\$ 12,613	\$ 219,802	\$ 16,799	\$ 323,672
-	35,212	6,796	42,008
-	-	-	27,092
-	-	78,062	78,062
-	-	18	18
-	-	151,370	151,370
<u>12,613</u>	<u>255,014</u>	<u>253,045</u>	<u>622,222</u>
-	-	458	14,073
40,273	-	801,796	1,669,375
<u>40,273</u>	<u>-</u>	<u>802,254</u>	<u>1,683,448</u>
-	-	-	18,854
-	-	2,077,809	2,612,888
-	-	37,040	37,040
1,057,833	1,949,931	369,100	3,376,864
-	-	(84,925)	1,025,473
<u>1,057,833</u>	<u>1,949,931</u>	<u>2,399,024</u>	<u>7,071,119</u>
<u>\$ 1,110,719</u>	<u>\$ 2,204,945</u>	<u>\$ 3,454,323</u>	<u>\$ 9,376,789</u>

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**City of Osseo**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2022**

Total fund balances - governmental funds \$ 7,071,119

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	24,937,393
Less accumulated depreciation	(11,867,106)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(10,740,000)
Compensated absences payable	(220,594)
Total OPEB liability	(545,232)
Net pension liability	(2,713,540)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and post employment benefits that are not recognized in the in the governmental funds.

Deferred inflows of resources related to pensions	(81,098)
Deferred outflows of resources related to pensions	1,783,717
Deferred outflows of resources related to post employment benefits	13,769

Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

153,877

Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued within the governmental funds.

(329,611)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	14,073
----------------	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	1,669,375
------------------------------	-----------

Governmental funds do not report a liability for accrued interest until due and payable.

(122,834)

Total net position - governmental activities

\$ 9,023,308



**City of Osseo**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2022**

	General Fund (101, 200)	Debt Service	
		2016B G.O. Improvement Refunding Bonds (365)	2022A G.O. Bond (314)
<b>Revenues</b>			
Taxes	\$ 1,752,052	\$ 135,449	\$ -
Franchise taxes	128,645	-	-
Special assessments	4,131	131,359	204,436
Licenses and permits	187,337	-	-
Intergovernmental	770,379	-	-
Revenue from EDA component unit	40,000	-	-
Charges for services	27,130	-	-
Fines and forfeitures	38,916	-	-
Miscellaneous			
Investment income	(15,892)	(6,112)	581
Contributions and donations	19,000	-	-
Other	39,567	-	-
Total revenues	<u>2,991,265</u>	<u>260,696</u>	<u>205,017</u>
<b>Expenditures</b>			
Current			
General government	807,570	-	-
Public safety	1,324,790	-	-
Public works	237,519	475	-
Culture and recreation	136,957	-	-
Debt service			
Principal	-	250,000	-
Interest and other charges	-	57,751	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>2,506,836</u>	<u>308,226</u>	<u>-</u>
Excess of revenues over (under) expenditures	484,429	(47,530)	205,017
<b>Other Financing Sources (Uses)</b>			
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers in	87,218	73,092	-
Transfers out	(625,870)	-	-
Total other financing sources (uses)	<u>(538,652)</u>	<u>73,092</u>	<u>-</u>
Net change in fund balances	(54,223)	25,562	205,017
<b>Fund Balances</b>			
Beginning of year, as previously stated	1,183,475	304,500	-
Change in accounting principle (see Note 14)	-	-	-
Beginning of year, as restated	<u>1,183,475</u>	<u>304,500</u>	<u>-</u>
End of year	<u>\$ 1,129,252</u>	<u>\$ 330,062</u>	<u>\$ 205,017</u>

Capital Projects

Streets (130)	2021 Alley Project (410 & 412)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,887,501
-	-	26,932	155,577
8,760	-	167,660	516,346
-	-	-	187,337
-	-	107,679	878,058
-	-	172,869	212,869
-	-	29,390	56,520
-	-	-	38,916
(15,927)	(2,637)	(22,716)	(62,703)
-	-	96,883	115,883
-	-	41,962	81,529
<u>(7,167)</u>	<u>(2,637)</u>	<u>620,659</u>	<u>4,067,833</u>
-	-	12,774	820,344
-	-	5,560	1,330,350
-	1,447	-	239,441
-	-	38,689	175,646
-	-	880,000	1,130,000
-	85,938	164,328	308,017
-	-	38,173	38,173
-	-	92,956	92,956
58,783	926,794	11,927	997,504
-	-	59,049	59,049
<u>58,783</u>	<u>1,014,179</u>	<u>1,303,456</u>	<u>5,191,480</u>
(65,950)	(1,016,816)	(682,797)	(1,123,647)
-	2,950,000	-	2,950,000
-	128,230	-	128,230
330,486	-	810,657	1,301,453
(370,067)	-	(169,343)	(1,165,280)
<u>(39,581)</u>	<u>3,078,230</u>	<u>641,314</u>	<u>3,214,403</u>
(105,531)	2,061,414	(41,483)	2,090,756
1,163,364	(111,483)	3,287,535	5,827,391
-	-	(847,028)	(847,028)
<u>1,163,364</u>	<u>(111,483)</u>	<u>2,440,507</u>	<u>4,980,363</u>
<u>\$ 1,057,833</u>	<u>\$ 1,949,931</u>	<u>\$ 2,399,024</u>	<u>\$ 7,071,119</u>

**City of Osseo**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2022**

Total net change in fund balances - governmental funds \$ 2,090,756

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Capital outlays	1,170,051
Depreciation expense	(914,974)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(39,099)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual

Pension expense	(77,119)
-----------------	----------

Total OPEB liabilities are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(223,339)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on the net position in the Statement of Activities.

1,130,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	(29,301)
Amortization of bond premiums	29,713

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Bonds payable	(2,950,000)
---------------	-------------

The governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond premium	(128,230)
--------------	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments deferred	178,199
------------------------------	---------

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

(3,344)

Change in net position - governmental activities

\$ 233,313

**City of Osseo**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2022**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 1,753,754	\$ 1,752,052	\$ (1,702)
Franchise taxes	122,000	128,645	6,645
Special assessments	2,300	4,131	1,831
Licenses and permits	183,850	187,337	3,487
Intergovernmental	763,179	770,379	7,200
Revenue from eda component unit	-	40,000	40,000
Charges for services	41,000	27,130	(13,870)
Fines and forfeitures	48,500	38,916	(9,584)
Miscellaneous			
Investment income	25,000	(15,892)	(40,892)
Contributions and donations	14,000	19,000	5,000
Other	77,887	39,567	(38,320)
Total revenues	3,031,470	2,991,265	(40,205)
<b>Expenditures</b>			
<b>Current</b>			
General government	832,641	807,570	(25,071)
Public safety	1,282,982	1,324,790	41,808
Public works	209,951	237,519	27,568
Culture and recreation	130,026	136,957	6,931
Total expenditures	2,455,600	2,506,836	51,236
Excess of revenues over (under) expenditures	575,870	484,429	(91,441)
<b>Other Financing Sources (Uses)</b>			
Transfers in	50,000	87,218	37,218
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	(575,870)	(538,652)	37,218
Net change in fund balance	\$ -	(54,223)	\$ (54,223)
<b>Fund Balance</b>			
Beginning of year		1,183,475	
End of year		\$ 1,129,252	

**City of Osseo**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2022**

	Water (601)	Sewer (602)	Storm Water (604)	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,787,995	\$ 750,212	\$ 709,627	\$ 3,247,834
Special assessments receivable				
Deferred	5,137	4,858	3,242	13,237
Accounts receivable	174,159	186,536	80,457	441,152
Due from other funds	78,062	-	-	78,062
Due from component unit	17,460	-	-	17,460
Due from other governments	-	52,762	-	52,762
Lease receivable	45,447	-	-	45,447
Prepaid items	2,260	20,195	1,130	23,585
Total current assets	<u>2,110,520</u>	<u>1,014,563</u>	<u>794,456</u>	<u>3,919,539</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Land	46,035	-	-	46,035
Infrastructure	1,177,713	4,504,308	734,423	6,416,444
Machinery and equipment	486,436	577,829	223,319	1,287,584
Total capital assets	<u>1,710,184</u>	<u>5,082,137</u>	<u>957,742</u>	<u>7,750,063</u>
Less accumulated depreciation	(679,096)	(1,447,551)	(186,040)	(2,312,687)
Net capital assets	<u>1,031,088</u>	<u>3,634,586</u>	<u>771,702</u>	<u>5,437,376</u>
Total assets	<u>3,141,608</u>	<u>4,649,149</u>	<u>1,566,158</u>	<u>9,356,915</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pensions	33,880	33,834	8,179	75,893
Deferred outflows of resources related to post employment benefits	509	509	134	1,152
Total assets and deferred outflows of resources	<u>\$ 3,175,997</u>	<u>\$ 4,683,492</u>	<u>\$ 1,574,471</u>	<u>\$ 9,433,960</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 13,908	\$ 95,485	\$ 4,834	\$ 114,227
Contracts payable	-	67,593	-	67,593
Salaries and benefits payable	2,508	2,424	675	5,607
Interest payable	5,146	25,241	3,938	34,325
Due to other governments	1,486	-	-	1,486
Bonds payable, due within one year	45,000	115,000	45,000	205,000
Compensated absences payable	20,490	20,490	3,544	44,524
Total current liabilities	<u>88,538</u>	<u>326,233</u>	<u>57,991</u>	<u>472,762</u>
<b>Noncurrent liabilities</b>				
Bonds payable, net of premiums	649,624	2,617,104	434,396	3,701,124
Total OPEB liability	20,150	20,150	5,306	45,606
Net pension liability	103,252	103,112	24,926	231,290
Less amount due within one year	(45,000)	(115,000)	(45,000)	(205,000)
Total noncurrent liabilities	<u>728,026</u>	<u>2,625,366</u>	<u>419,628</u>	<u>3,773,020</u>
Total liabilities	<u>816,564</u>	<u>2,951,599</u>	<u>477,619</u>	<u>4,245,782</u>
<b>Deferred inflows of resources</b>				
Deferred inflows of resources related to pensions	1,417	1,415	342	3,174
Deferred inflows of resources related to lease receivable	45,447	-	-	45,447
Total deferred inflows of resources	<u>46,864</u>	<u>1,415</u>	<u>342</u>	<u>48,621</u>
<b>Net Position</b>				
Net investment in capital assets	625,583	1,476,266	410,151	2,512,000
Unrestricted	1,686,986	254,212	686,359	2,627,557
Total net position	<u>2,312,569</u>	<u>1,730,478</u>	<u>1,096,510</u>	<u>5,139,557</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,175,997</u>	<u>\$ 4,683,492</u>	<u>\$ 1,574,471</u>	<u>\$ 9,433,960</u>

See notes to basic financial statements.

**City of Osseo**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2022**

	Water (601)	Sewer (602)	Storm Water (604)	Total
Operating revenues				
Charges for services	\$ 461,943	\$ 540,661	\$ 221,553	\$ 1,224,157
Permits, hookup fees, and penalties	899	1,301	685	2,885
Total operating revenues	<u>462,842</u>	<u>541,962</u>	<u>222,238</u>	<u>1,227,042</u>
Operating expenses				
Wages and salaries	93,132	93,132	24,523	210,787
Employee benefits	60,204	59,461	14,573	134,238
Materials and supplies	41,755	9,293	941	51,989
Repairs and maintenance	10,312	5,518	1,884	17,714
Professional services	40,066	40,131	24,889	105,086
Insurance	2,437	5,078	663	8,178
Utilities	4,102	15,216	1,497	20,815
Depreciation	72,035	221,186	40,201	333,422
Other	4,381	4,480	9,183	18,044
Service charges	178,690	186,003	-	364,693
Total operating expenses	<u>507,114</u>	<u>639,498</u>	<u>118,354</u>	<u>1,264,966</u>
Operating income (loss)	(44,272)	(97,536)	103,884	(37,924)
Nonoperating revenues/(expenses) (expenses)				
Investment income	(24,282)	(22,776)	(9,293)	(56,351)
Intergovernmental	-	52,762	-	52,762
Interest and fiscal agent fees	(10,037)	(61,184)	(8,509)	(79,730)
Other income	98,513	-	-	98,513
Total nonoperating revenues	<u>64,194</u>	<u>(31,198)</u>	<u>(17,802)</u>	<u>15,194</u>
Income before transfers	19,922	(128,734)	86,082	(22,730)
Transfers out	<u>(39,301)</u>	<u>(24,795)</u>	<u>(72,077)</u>	<u>(136,173)</u>
Change in net position	(19,379)	(153,529)	14,005	(158,903)
Net position				
Beginning of year	<u>2,331,948</u>	<u>1,884,007</u>	<u>1,082,505</u>	<u>5,298,460</u>
End of year	<u>\$ 2,312,569</u>	<u>\$ 1,730,478</u>	<u>\$ 1,096,510</u>	<u>\$ 5,139,557</u>

**City of Osseo**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2022**

	Water (601)	Sewer (602)	Storm Water (604)	Total
<b>Cash Flows - Operating Activities</b>				
Receipts from customers and users	\$ 446,271	\$ 614,568	\$ 204,803	\$ 1,265,642
Payments to suppliers	(302,750)	(440,212)	(39,176)	(782,138)
Payments to employees	(131,313)	(131,312)	(33,416)	(296,041)
Miscellaneous revenue	98,513	52,762	-	151,275
Net cash flows - operating activities	<u>110,721</u>	<u>95,806</u>	<u>132,211</u>	<u>338,738</u>
<b>Cash Flows - Noncapital</b>				
<b>Financing Activities</b>				
Payments to/from other funds	153,974	-	-	153,974
Transfer to other funds	(39,301)	(24,795)	(72,077)	(136,173)
Net cash flows - noncapital financing activities	<u>114,673</u>	<u>(24,795)</u>	<u>(72,077)</u>	<u>17,801</u>
<b>Cash Flows - Capital and Related</b>				
<b>Financing Activities</b>				
Principal Paid on Debt	(47,471)	(84,367)	(36,107)	(167,945)
Interest and fiscal charges paid on debt	(10,412)	(51,789)	(8,775)	(70,976)
Long-term debt proceeds	-	740,000	-	740,000
Acquisition of capital assets	(36,406)	(1,705,295)	-	(1,741,701)
Net cash flows - capital and related financing activities	<u>(94,289)</u>	<u>(1,101,451)</u>	<u>(44,882)</u>	<u>(1,240,622)</u>
<b>Cash Flows - Investing Activities</b>				
Interest and dividends received	(24,282)	(22,776)	(9,293)	(56,351)
Net change in cash and cash equivalents	106,823	(1,053,216)	5,959	(940,434)
<b>Cash and Cash Equivalents</b>				
January 1	<u>1,681,172</u>	<u>1,803,428</u>	<u>703,668</u>	<u>4,188,268</u>
December 31	<u>\$ 1,787,995</u>	<u>\$ 750,212</u>	<u>\$ 709,627</u>	<u>\$ 3,247,834</u>
<b>Reconciliation of Operating</b>				
<b>Income to Net Cash</b>				
<b>Flows - Operating Activities</b>				
Operating income	\$ (44,272)	\$ (97,536)	\$ 103,884	\$ (37,924)
Adjustments to reconcile operating income to net cash flows - operating activities				
Miscellaneous revenue	98,513	52,762	-	151,275
Depreciation expense	72,035	221,186	40,201	333,422
Accounts receivable	(17,828)	124,199	(17,678)	88,693
Due from other governments	-	(52,762)	-	(52,762)
Prepaid items	(2,260)	(4,695)	(1,130)	(8,085)
Special assessments receivable	1,257	1,169	243	2,669
Accounts payable	(18,042)	(169,798)	1,011	(186,829)
Due to other governmental units	(705)	-	-	(705)
Salaries payable	(6,112)	(6,196)	16	(12,292)
Net pension expense	15,009	14,913	2,988	32,910
Compensated absences payable	3,919	3,919	332	8,170
Total adjustments	<u>154,993</u>	<u>193,342</u>	<u>28,327</u>	<u>376,662</u>
Net cash flows - operating activities	<u>\$ 110,721</u>	<u>\$ 95,806</u>	<u>\$ 132,211</u>	<u>\$ 338,738</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Osseo is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is financially accountable.

The financial statements present the City and its component unit. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as a Discretely Presented Component Unit.

**1. Discretely Presented Unit**

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit.

In conformity with accounting principles generally accepted in the United States of America, the component unit's column in the government-wide Statement of Net Position and Statement of Activities include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City.

The Osseo Economic Development Authority (EDA) meets the criteria to be included as a discretely presented component unit. The seven members of the governing board of the Osseo EDA are appointed by the City Council and three members are also City Council members. The tax rates established by the Osseo EDA and bonded debt must be approved by the City Council.



**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 activities of the City. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

**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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current 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.

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

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

**Description of Funds:**

Major Governmental Funds:

General Fund – This 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.

2016B G.O. Improvement Refunding Bonds – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

2022A G.O. Bond – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

Streets Capital Projects Fund – This fund accounts for resources accumulated and payments related to the City's streets.

2021 Alley Project Fund – This fund accounts for resources accumulated and payments related to the alley project.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sewer Fund – This fund accounts for the operations of the City's sewer utility.

Storm Water Fund – This fund accounts for the operations of the City's storm water utility.

Component Unit:

EDA – This fund accounts for resources accumulated for the EDA and payments made for principal and interest on EDA debt issuances.

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

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

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 Water, Sewer, and Storm Water Enterprise Funds are charges to customers for sales and services. 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.

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The City and EDA Component Unit'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.

*Minnesota Statutes* authorize the City and EDA Component Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City and the EDA Component Unit are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**2. Receivables and Payables**

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

**City of Osseo  
Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**2. Receivables and Payables (Continued)**

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

**3. 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. Prepaid items are recorded as an expenditure at the time of consumption.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, 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 greater than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Assets	Years
Infrastructure	15-100
Structures and improvements	25-50
Equipment	3-5
Public improvements	20-40

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and mortgage receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

**6. Compensated Absences**

Employees earn paid time off (PTO) based upon the number of completed years of service. The City compensates employees for unused PTO upon termination of employment, up to a maximum of 840 hours. Employees are also entitled to payment on an annual basis for each hour of accrued PTO over the maximum accrual of 840 hours.

**7. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt 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.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**8. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

**9. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority) through resolution and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Administrator.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**9. Fund Balance (Continued)**

**a. Classification (Continued)**

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: committed, assigned, and unassigned.

**b. Minimum Fund Balance**

The City's target General Fund balance is to maintain an unrestricted General Fund balance of 40-50% of the subsequent year's budgeted operating expenditures. If the General Fund balance falls below 40% of the following fiscal year's budget, the City shall include a one-time budget adjustment in that following fiscal year's budget to increase the General Fund balance to 40% of that following fiscal year's budget.

**c. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**E. Use of Estimates**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**F. Budgetary Information**

1. In August of each year City staff submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgetary Information (Continued)**

6. Annual appropriated budgets are adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted. Formal budgets are not adopted for Special Revenue Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

At December 31, 2022, the following City Funds reported deficit fund balances:

	Deficit Fund Balance
Nonmajor Governmental Funds	
Special Revenue Fund	
Twins Grant	\$ 726
Debt Service Fund	
2010A Refunding Bonds	331
Capital Projects Fund	
Hennepin County Corridor Planning	594
2020 Improvement Project	83,274

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash balances of the City's and Component Unit's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**A. Deposits**

**Custodial Credit Risk – Deposits:** This is the risk that in the event of a bank failure, the City's and EDA Component Unit's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2022, the City's bank balance of \$1,268,821 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2022, was \$1,238,936 for deposits.



**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

Investment Type	Investment Maturities			
	Fair Value	Less than One Year	1-5 Years	6-10 Years
Brokered Money Market Accounts	\$ 77,600	\$ 77,600	\$ -	\$ -
United States Treasury Securities	3,038,551	3,038,551	-	-
United States Government Bonds	1,711,800	1,711,800	-	-
Brokered Certificates of Deposit	5,873,196	1,941,559	3,931,637	-
Total	<u>\$ 10,701,147</u>	<u>\$ 6,769,510</u>	<u>\$ 3,931,637</u>	<u>\$ -</u>

**Concentration of Credit Risk:** The City's and Component Unit's investment policy states the City will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2022, the City's investments follow the guidelines stated in its investment policy. No single investment was over 5% of the portfolio.

**Credit Risk:** The City's investment policy limits investments to those specified in the above statutes. U.S. government bonds were rated AA+ by Standard & Poor's (S&P). U.S. treasury notes were rated AA+ by S&P.

**Interest Rate Risk:** This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's policy states maturities will be structured to meet cash requirements for operations and avoiding the need to sell prior to maturity.

**Custodial Credit Risk – Investments:** for an investment, this is the risk in the event of the failure of the counterparty the City or Component Unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Component Unit's policy states all investments must be fully insured and registered in the name of the City. Some City Securities held by the City's broker-dealer are not registered to the City but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

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

- \$10,701,147 of investments are valued using a matrix pricing model (Level 2 inputs)

Summary of cash deposits and investments as of December 31, 2022, were as follows:

Cash on hand	\$ 182
Deposits	1,238,936
Investments	<u>10,701,147</u>
Total deposits and investments	<u>\$ 11,940,265</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

	Primary Government	Component Unit
Statement of Net Position		
Cash and investments	\$ 10,254,795	\$ 1,685,470

**NOTE 4 – INTERFUND ASSETS/LIABILITIES**

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 462,284	\$ -
Nonmajor Governmental Funds	-	78,062
Water Fund	95,522	-
EDA Component Unit	-	479,744
Total	\$ 557,806	\$ 557,806

Interfund activity exists to help with project costs and to cover deficit cash balances and will be repaid as funds become available.

**NOTE 5 – INTERFUND TRANSFERS**

Transfers Out	Transfers In				Total
	General Fund	2016B G.O. Improvement Refunding Bonds	Streets	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 330,486	\$ 295,384	\$ 625,870
Streets	-	-	-	370,067	370,067
Nonmajor governmental funds	75,728	-	-	93,615	169,343
Water	-	32,813	-	6,488	39,301
Sewer	11,490	405	-	12,900	24,795
Storm Water	-	39,874	-	32,203	72,077
Total	\$ 87,218	\$ 73,092	\$ 330,486	\$ 810,657	\$ 1,301,453

The above transfers were made for the following reasons: debt service agreements, capital asset purchases, closing of funds, capital contributions, and operating transfers.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 6 – LEASE RECEIVABLE**

The City has entered into a Tower Lease agreement with Nextera Networks for space leased. This lease was entered into in 2009 and will continue to 2023. The lease payments were \$45,818 for 2022. The City received payments of \$41,063 in principal and \$4,755 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$45,447 as of December 31, 2022.

**NOTE 7 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 775,536	\$ 49,273	\$ -	\$ 824,809
Construction in progress	109,819	35,784	(109,819)	35,784
Total capital assets not being depreciated	<u>885,355</u>	<u>85,057</u>	<u>(109,819)</u>	<u>860,593</u>
Capital assets being depreciated				
Infrastructure	15,743,462	1,066,343	-	16,809,805
Buildings	4,286,101	-	-	4,286,101
Improvements	469,634	-	-	469,634
Machinery and equipment	2,382,790	128,470	-	2,511,260
Total capital assets being depreciated	<u>22,881,987</u>	<u>1,194,813</u>	<u>-</u>	<u>24,076,800</u>
Total capital assets, cost	<u>23,767,342</u>	<u>1,279,870</u>	<u>(109,819)</u>	<u>24,937,393</u>
Less accumulated depreciation for				
Infrastructure	7,324,120	577,504	-	7,901,624
Buildings	1,997,141	122,539	-	2,119,680
Improvements	193,849	17,384	-	211,233
Machinery and equipment	1,437,022	197,547	-	1,634,569
Total accumulated depreciation	<u>10,952,132</u>	<u>914,974</u>	<u>-</u>	<u>11,867,106</u>
Total capital assets being depreciated, net	<u>11,929,855</u>	<u>279,839</u>	<u>-</u>	<u>12,209,694</u>
Governmental activities capital assets, net	<u>\$ 12,815,210</u>	<u>\$ 364,896</u>	<u>\$ (109,819)</u>	<u>\$ 13,070,287</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,035	\$ -	\$ -	\$ 46,035
Construction in progress	961,039	1,706,900	2,667,939	-
Total capital assets not being depreciated	<u>1,007,074</u>	<u>1,706,900</u>	<u>2,667,939</u>	<u>46,035</u>
Capital assets being depreciated				
Infrastructure and improvements	3,912,082	2,504,362	-	6,416,444
Machinery and equipment	1,054,607	232,977	-	1,287,584
Total capital assets being depreciated	<u>4,966,689</u>	<u>2,737,339</u>	<u>-</u>	<u>7,704,028</u>
Total capital assets, cost	<u>5,973,763</u>	<u>4,444,239</u>	<u>2,667,939</u>	<u>7,750,063</u>
Less accumulated depreciation for				
Infrastructure and improvements	1,891,524	212,801	-	2,104,325
Machinery and equipment	87,741	120,621	-	208,362
Total accumulated depreciation	<u>1,979,265</u>	<u>333,422</u>	<u>-</u>	<u>2,312,687</u>
Total capital assets being depreciated, net	<u>2,987,424</u>	<u>2,403,917</u>	<u>-</u>	<u>5,391,341</u>
Business-type activities capital assets, net	<u>\$ 3,994,498</u>	<u>\$ 4,110,817</u>	<u>\$ 2,667,939</u>	<u>\$ 5,437,376</u>

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

Governmental activities	
General government	\$ 84,811
Public safety	174,801
Public works	636,251
Park and recreation	19,111
Total depreciation expense - governmental activities	<u>\$ 914,974</u>
Business-type activities	
Water	\$ 72,035
Sewer	221,186
Storm water	40,201
Total depreciation expense - business-type activities	<u>\$ 333,422</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 8 – LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues general obligation (G.O.) bonds to provide financing for tax increment projects and infrastructure improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with debt service payments each year.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**B. Components of Long-Term Liabilities**

Long-term indebtedness of the City listed below were issued to finance acquisition and construction of capital improvements or to refinance (refund) previous bond issues.

	Interest Rate	Final Maturity	Original Issue	Principal Outstanding	Due Within One Year
Governmental activities					
G.O. Bonds					
G.O. Improvement, 2012A	2.00%-2.60%	2028	\$ 505,000	\$ 185,000	\$ 30,000
G.O. Improvement, 2014A	0.55%-4.00%	2030	500,000	295,000	35,000
G.O. Street Reconstruction Bonds, 2015A	2.00%-2.50%	2026	1,610,000	680,000	165,000
G.O. Bonds, 2016A	1.86%-2.08%	2032	1,285,000	905,000	80,000
G.O. Improvement Refunding Bonds, 2016B	1.66%-1.77%	2030	3,250,000	2,295,000	260,000
G.O. Bonds, 2017A	1.40%-3.00%	2033	700,000	540,000	45,000
G.O. Bonds, 2018A	2.30%-3.20%	2034	805,000	670,000	50,000
G.O. Improvement Bonds, 2019A	1.30%-2.25%	2035	745,000	665,000	40,000
G.O. Improvement Bonds, 2020A	2.00%-2.10%	2036	760,000	715,000	45,000
G.O. Improvement Bonds, 2022A	3.05%-3.36%	2038	2,950,000	2,950,000	-
Total G.O. Bonds			<u>13,110,000</u>	<u>9,900,000</u>	<u>750,000</u>
Public Project Lease Revenue Bonds, 2014A	1.50%-4.00%	2035	<u>1,150,000</u>	<u>840,000</u>	<u>50,000</u>
Unamortized bond premiums				329,611	-
Compensated absences				<u>220,594</u>	<u>194,107</u>
Total governmental activities long-term liabilities				<u>\$ 11,290,205</u>	<u>\$ 994,107</u>
Business-type activities					
G.O. Bonds					
G.O. Bonds, 2017A	1.40%-3.00%	2033	\$ 205,000	\$ 165,000	\$ 15,000
G.O. Improvement Bonds, 2020A	2.00%-2.10%	2041	2,825,000	2,645,000	190,000
G.O. Improvement Bonds, 2022A	3.05%-3.36%	2038	740,000	740,000	-
Total G.O. Bonds			<u>3,770,000</u>	<u>3,550,000</u>	<u>205,000</u>
Unmortized bond premiums				151,124	-
Compensated absences				<u>44,524</u>	<u>44,524</u>
Total business type activities long-term liabilities				<u>\$ 3,745,648</u>	<u>\$ 249,524</u>
EDA activities					
G.O. Bonds					
G.O. Improvement, 2014A	0.55%-4.00%	2030	\$ 510,000	\$ 165,000	\$ 55,000
G.O. Tax Increment, 2014B	2.25%-3.65%	2028	550,000	300,000	45,000
Total G.O. Bonds			<u>1,060,000</u>	<u>465,000</u>	<u>100,000</u>
Total EDA activities long-term liabilities				<u>\$ 465,000</u>	<u>\$ 100,000</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**C. Changes in Long-Term Liabilities**

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

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Governmental activities					
G.O. Bonds	\$ 8,075,000	\$ (215,000)	\$ 2,950,000	\$ 910,000	\$ 9,900,000
Revenue Bonds	890,000	-	-	50,000	840,000
G.O. Tax Increment Bonds	515,000	(345,000)	-	170,000	-
Unamortized bond premiums	231,094	-	128,230	29,713	329,611
Compensated absences	181,495	-	94,151	55,052	220,594
Total governmental activities long-term liabilities	<u>\$ 9,892,589</u>	<u>\$ (560,000)</u>	<u>\$ 3,172,381</u>	<u>\$ 1,214,765</u>	<u>\$ 11,290,205</u>
Business type activities					
G.O. Bonds	\$ 3,000,000	\$ -	\$ 740,000	\$ 190,000	\$ 3,550,000
Unamortized bond premiums	129,069	-	32,137	10,082	151,124
Compensated absences	36,358	-	25,598	17,432	44,524
Total business-type activities long-term liabilities	<u>\$ 3,165,427</u>	<u>\$ -</u>	<u>\$ 797,735</u>	<u>\$ 217,514</u>	<u>\$ 3,745,648</u>
EDA Activities:					
G.O. Bonds	\$ -	\$ 215,000	\$ -	\$ 50,000	\$ 165,000
G.O. Tax Increment Bonds	-	345,000	-	45,000	300,000
Total EDA Long-Term Liabilities	<u>\$ -</u>	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 465,000</u>

The General Fund and Proprietary Funds typically liquidate the liabilities related to compensated absences.

**D. Annual Debt Service Obligations**

The annual requirements to amortize all debt outstanding other than compensated absences are as follows:

Year Ending December 31,	Governmental Activities			
	General Obligation Bonds		Public Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 750,000	\$ 150,160	\$ 50,000	\$ 31,375
2024	875,000	293,397	55,000	29,800
2025	950,000	220,173	55,000	27,944
2026	980,000	195,026	55,000	25,881
2027	815,000	176,663	60,000	23,725
2028-2032	3,580,000	539,772	330,000	81,000
2033-2037	1,700,000	170,704	235,000	14,300
2038	250,000	8,500	-	-
Total	<u>\$ 9,900,000</u>	<u>\$ 1,754,395</u>	<u>\$ 840,000</u>	<u>\$ 234,025</u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**D. Annual Debt Service Obligations (Continued)**

<u>Year Ending December 31,</u>	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2023	\$ 205,000	\$ 55,580
2024	235,000	90,632
2025	250,000	72,858
2026	260,000	66,959
2027	269,999	60,833
2028-2032	1,165,000	210,013
2033-2037	794,999	86,381
2038-2041	370,002	15,176
Total	\$ 3,550,000	\$ 658,432

<u>Year Ending December 31,</u>	EDA Activities			
	General Obligation Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 55,000	\$ 3,438	\$ 45,000	\$ 9,776
2024	55,000	2,063	45,000	8,269
2025	55,000	687	50,000	6,678
2026	-	-	50,000	4,927
2027	-	-	55,000	3,011
2028	-	-	55,000	1,004
Total	\$ 165,000	\$ 6,188	\$ 300,000	\$ 33,665

**E. Pay-As-You-Go TIF Notes**

The City has issued TIF notes for various economic development purposes within the City. These issuances represent notes for which the City has no obligation for debt payment beyond the resources provided by tax increment revenues collected, as incorporated within the debt documents. At December 31, 2022, there were two TIF notes outstanding.



**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**F. Conduit Debt**

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2022, the City's conduit debt consisted of the following:

Health Care Facility Revenue Note	\$ 4,555,957
Commerical Development Revenue Note	<u>2,683,708</u>
Total	<u><u>\$ 7,239,665</u></u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 9 – FUND BALANCES/NET POSITION**

**A. Fund Balance**

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds. Fund balances of the City are comprised of the following components:

	General Fund	2016B G.O. Improvement Refunding Bonds	2022A G.O. Bonds	Streets	2021 Alley Project	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>							
Prepaid items	\$ 18,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,854
<b>Restricted</b>							
Debt service	-	330,062	205,017	-	-	1,518,197	2,053,276
Park improvements	-	-	-	-	-	114,182	114,182
Hennepin County Tree Grant	-	-	-	-	-	1,840	1,840
Comp plan grant	-	-	-	-	-	22,755	22,755
Police forfeiture	-	-	-	-	-	18,461	18,461
Trolley	-	-	-	-	-	825	825
Healthy Community Grant	-	-	-	-	-	10,412	10,412
Facilities	-	-	-	-	-	45,000	45,000
Fire apparatus	-	-	-	-	-	322,858	322,858
COVID grants	-	-	-	-	-	23,279	23,279
Total restricted	<u>-</u>	<u>330,062</u>	<u>205,017</u>	<u>-</u>	<u>-</u>	<u>2,077,809</u>	<u>2,612,888</u>
<b>Committed</b>							
Community fund	-	-	-	-	-	18,021	18,021
Heritage preservation	-	-	-	-	-	10,663	10,663
Cable access fees	-	-	-	-	-	8,356	8,356
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,040</u>	<u>37,040</u>
<b>Assigned</b>							
Streets	-	-	-	1,057,833	-	-	1,057,833
Capital projects	-	-	-	-	1,949,931	-	1,949,931
Equipment	-	-	-	-	-	143,806	143,806
Facilities improvements	-	-	-	-	-	225,294	225,294
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057,833</u>	<u>1,949,931</u>	<u>369,100</u>	<u>3,376,864</u>
<b>Unassigned</b>							
	<u>1,110,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,925)</u>	<u>1,025,473</u>
Total fund balance	<u>\$ 1,129,252</u>	<u>\$ 330,062</u>	<u>\$ 205,017</u>	<u>\$ 1,057,833</u>	<u>\$ 1,949,931</u>	<u>\$ 2,399,024</u>	<u>\$ 7,071,119</u>

**B. Net Position**

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

**NOTE 10 – RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 10 – RISK MANAGEMENT (CONTINUED)**

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2022 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 11 – PENSION PLANS**

The City participates in various pension plans. Total pension expense for the year ended December 31, 2022, was \$331,360. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, and Storm Water Funds typically liquidate the liability related to pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Public Employees Police and Fire Plan**

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

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**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 Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any 5 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 a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Police and Fire Plan Benefits**

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

Police and Fire Plan Benefits (Continued)

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

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$54,632. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$108,790. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$760,323 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 \$22,332.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0096%, at the end of the measurement period and 0.0090% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 760,323
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>22,332</u>
Total	<u><u>\$ 782,655</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$38,013 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$3,337 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,351	\$ 7,599
Changes in actuarial assumptions	161,645	2,835
Net collective difference between projected and actual investment earnings	28,957	-
Changes in proportion	25,215	-
Contributions paid to PERA subsequent to the measurement date	<u>27,316</u>	<u>-</u>
Total	<u><u>\$ 249,484</u></u>	<u><u>\$ 10,434</u></u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The \$27,316 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 76,014
2024	78,730
2025	(11,771)
2026	68,760
Total	\$ 211,733

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,184,506 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0502% at the end of the measurement period and 0.0531% for the beginning of the period.

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

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$204,280 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$18,514 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$4,518 for the year ended December 31, 2022, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 135,098	\$ -
Changes in actuarial assumptions	1,312,237	12,024
Net collective difference between projected and actual investment earnings	-	8,337
Changes in proportion	73,653	-
Contributions paid to PERA subsequent to the measurement date	54,395	-
Total	\$ 1,575,383	\$ 20,361



**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

The \$54,395 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 294,476
2024	288,952
2025	255,573
2026	464,947
2027	196,679
Total	\$ 1,500,627

**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
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 %	

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions**

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

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

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

**General Employees Fund**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There have been no changes since the previous valuation.

**Police and Fire Fund**

**Changes in Actuarial Assumptions**

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

**Changes in Plan Provisions**

- There have been no changes since the previous valuation.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**G. Discount Rate**

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,200,970	\$ 760,323	\$ 398,925
	1% Decrease in Discount Rate (4.4%)	Current Discount Rate (5.4%)	1% Increase in Discount Rate (6.4%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,305,969	\$ 2,184,506	\$ 1,277,870

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**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](http://www.mnpera.org).

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association**

**A. Plan Description**

The Osseo Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Osseo Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Osseo Firefighter's Association, 415 Central Avenue, Osseo, MN 55369 or by calling (763) 424-5444.

**B. Benefits Provided**

Volunteer firefighters of the City are members of the Osseo Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 15 years of service for monthly service pension, or 10 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members, or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

**C. Members Covered by Benefit Terms**

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

Inactive members or beneficiaries currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	3
Active members	<u>26</u>
 Total	 <u><u>29</u></u>

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)**

**D. Contributions**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City’s obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$19,281 made by the State of Minnesota for the Relief Association.

**E. Net Pension Liability**

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

*Actuarial Assumptions*

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return	3.75 %, net of pension plan investment expense, including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)**

**E. Net Pension Liability (Continued)**

*Actuarial Assumptions (Continued)*

The long-term return on assets has been set based on the plan’s target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of the measurement date are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30 %	4.1 %
International equity	20	4.64
Fixed income	30	1.05
Real estate	-	3.54
Cash	20	-0.45
Total	<u>100.0 %</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 3.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)**

**F. Changes in the Net Pension Liability**

*Discount Rate (Continued)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2022	\$ 330,485	\$ 473,544	\$ (143,059)
Changes for the year			
Service cost	20,231	-	20,231
Interest cost	14,905	-	14,905
Changes of assumptions	9,408	-	9,408
Difference between expected and actual experience	(7,702)	-	(7,702)
State contributions	-	22,727	(22,727)
Other additions	-	27,837	(27,837)
Change in benefit terms	-	-	-
Administrative expense	-	(2,904)	2,904
Net changes	36,842	47,660	(10,818)
Balances at December 31, 2022	\$ 367,327	\$ 521,204	\$ (153,877)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 4.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease in Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase in Discount Rate (4.75%)
City's net pension liability (asset)	\$ (138,730)	\$ (153,877)	\$ (168,481)

*Pension Plan Fiduciary Net Position*

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

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)**

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

For the year ended December 31, 2022, the City recognized pension expense of (\$15,770). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 27,073
Changes in actuarial assumptions	15,462	-
Net difference between projected and actual earnings on pension plan investments	-	26,404
Contributions paid to the Association subsequent to the measurement date	19,281	-
Total	\$ 34,743	\$ 53,477

The \$19,281 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	
2024	\$ (6,357)
2025	(15,093)
2026	(8,202)
2027	(3,128)
Thereafter	(1,594)
Total	(3,641)
	\$ (38,015)



**City of Osseo  
Notes to Basic Financial Statements**

**NOTE 11 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)**

**H. Payable to the Pension Plan**

Required and actual employer contributions to the plan during 2022 were \$0. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2022, the state aid was \$19,281. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 5% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

**NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City provides a single-employer defined benefit healthcare plan to eligible retirees (as required by *Minnesota Statute* 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute* § 299A.465). The City will contribute 65% of the cost of health insurance premiums per month for those who have retired with at least 12 years of continuous service and have reached the age of 50. The City contribution applies only to the cost of individual coverage for the retiree and ceases upon the retiree reaching age 65. As of December 31, 2022, there was one retiree participating in the City's group health plan.

**B. Benefits Provided**

There is no implicit rate subsidy for the City since age-based premiums are paid for health insurance. This results in the City's OPEB liability being only the direct subsidy payments made towards retiree health insurance premiums.

**C. Contributions**

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2022, the City contributed \$10,233.

**D. Members**

As of December 31, 2021, the following were covered by the benefit terms:

Active employees or beneficiaries currently receiving benefits	10
Active employees entitled to but waiving receiving benefit payments	4
Retirees electing coverage	1
	15
Total	15

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	1.84%, net of investment expense
Inflation	2.50%
Healthcare cost trend increases	6.8% initially, decreasing to an ultimate rate of 3.9%
Mortality assumption	
General employee	From the July 1, 2022 PERA of Minnesota General Employees Retirement Plan actuarial valuation, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Police and fire	From the July1, 2022 PERA of Minnesota Public Employees 'Police & Fire Plan actuarial valuation, Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of an actuarial experience study for the period January 1, 2021 through December 31, 2021.

The discount rate used to measure the total OPEB liability was 1.84% based on 20 year municipal G.O. AA Index Bonds.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability**

The City's total OPEB liability of \$590,838 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2021.

	<u>Total OPEB Liability</u>
Balances at January 1, 2022	\$ 341,606
Changes for the year	
Service cost	28,966
Interest	7,309
Changes of assumptions	21,453
Differences between expected and actual economic experience	201,737
Benefit payments	<u>(10,233)</u>
Net changes	<u>249,232</u>
Balances at December 31, 2022	<u>\$ 590,838</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.00% in 2021 to 1.84% in 2022.

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 1.84% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% increase in Discount Rate (2.84%)
\$ 651,990	\$ 590,838	\$ 534,757

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity (Continued)**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% decrease in Trend Rate (5.8% decreasing to 2.9%)	Current Trend Rate (6.8% decreasing to 3.9%)	1% increase in Trend Rate (7.8% decreasing to 4.9%)
\$ 512,993	\$ 590,838	\$ 680,689

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2021, the City recognized OPEB expense of \$243,534. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 14,921	\$ -
Total	\$ 14,921	\$ -

The \$14,921 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

**NOTE 13 – TAX INCREMENT FINANCING**

The City has entered into five Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute § 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

**City of Osseo**  
**Notes to Basic Financial Statements**

**NOTE 13 – TAX INCREMENT FINANCING (CONTINUED)**

During the year ended December 31, 2022, the City generated \$934,251 in tax increment revenue and made \$391,567 in payments to developers, in addition to debt service payments.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2022, the City implemented GASB Statement No. 87, Leases. This resulted in the City recognizing a lease receivable and deferred inflow of \$86,510 as of January 1, 2022. GASB Statement No. 87, Leases, requires leases that were in effect prior to implementation year be recognized as if they were issues as of January 1, 2022. Due to this, there is no effect on the beginning net position of the City.

For the year ended December 31, 2021, the City formally presented the EDA as a blended component unit. An evaluation of the EDA's governance and operations during the current year indicated the criteria for blending the component unit with the City are no longer being met. A change in accounting principle to remove the EDA from the governmental funds and governmental activities of the City in the amount of \$847,028 and \$583,880, respectively, was made. As of December 31, 2022, the EDA is presented as a discretely presented component unit of the City.

**NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Osseo**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Total OPEB Liability					
Service cost	\$ 13,643	\$ 15,998	\$ 15,947	\$ 24,662	\$ 28,966
Interest	8,258	7,994	9,088	8,618	7,309
Differences between expected and actual experience	-	-	9,776	740	201,737
Changes of assumptions	11,216	(9,541)	35,956	24,824	21,453
Benefit payments	(9,660)	(11,737)	(10,161)	(11,945)	(10,233)
Net change in total OPEB liability	<u>23,457</u>	<u>2,714</u>	<u>60,606</u>	<u>46,899</u>	<u>249,232</u>
Beginning of year	<u>207,930</u>	<u>231,387</u>	<u>234,101</u>	<u>294,707</u>	<u>341,606</u>
End of year	<u>\$ 231,387</u>	<u>\$ 234,101</u>	<u>\$ 294,707</u>	<u>\$ 341,606</u>	<u>\$ 590,838</u>
Covered payroll	\$ 1,079,576	\$ 1,027,560	\$ 1,305,259	\$ 1,212,685	\$ 1,280,750
Total OPEB liability as a percentage of covered payroll	21.43%	22.78%	22.58%	28.19%	46.01%

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



**City of Osseo  
Schedule of City's Proportionate Share  
of Net Pension Liability  
General Employees Retirement Fund  
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0067%	\$ 347,229	\$ -	\$ -	\$ 385,040	90.18%	78.19%
2016	0.0079%	641,441	8,374	649,815	490,693	130.72%	68.91%
2017	0.0082%	523,483	6,545	530,028	525,307	99.65%	75.90%
2018	0.0090%	499,283	16,386	515,669	602,507	82.87%	79.53%
2019	0.0088%	486,532	14,999	501,531	620,267	78.44%	80.23%
2020	0.0088%	527,600	16,321	543,921	626,627	84.20%	79.06%
2021	0.0090%	384,340	11,769	396,109	647,067	59.40%	87.00%
2022	0.0096%	760,323	22,332	782,655	720,987	105.46%	76.67%

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

**Schedule of City's Proportionate Share  
of Net Pension Liability  
Public Employees Police and Fire Retirement Fund  
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0370%	\$ 420,407	N/A	\$ 420,407	\$ 329,346	127.65%	86.61%
2016	0.0440%	1,765,797	N/A	1,765,797	420,920	419.51%	63.88%
2017	0.0400%	540,048	N/A	540,048	408,716	132.13%	85.43%
2018	0.0424%	448,124	N/A	448,124	446,370	100.39%	88.84%
2019	0.0460%	483,506	N/A	483,506	474,572	101.88%	89.26%
2020	0.0480%	628,371	\$ 14,896	643,267	530,282	118.50%	87.19%
2021	0.0531%	405,097	18,431	423,528	627,706	64.54%	93.66%
2022	0.0502%	2,184,506	95,444	2,279,950	609,429	358.45%	70.53%

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

**City of Osseo  
Schedule of City Contributions -  
General Employees Retirement Fund  
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 27,183	\$ 27,183	\$ -	\$ 362,440	7.5%
2016	36,551	36,551	-	487,347	7.5%
2017	35,995	35,995	-	479,933	7.5%
2018	44,164	44,164	-	588,853	7.5%
2019	47,668	47,668	-	635,573	7.5%
2020	46,638	46,638	-	621,840	7.5%
2021	54,025	54,025	-	720,333	7.5%
2022	54,632	54,632	-	728,427	7.5%

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

**Schedule of City Contributions -  
Public Employees Police and Fire Retirement Fund  
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 67,659	\$ 67,659	\$ -	\$ 417,648	16.20%
2016	69,638	69,638	-	429,864	16.20%
2017	73,661	73,661	-	454,698	16.20%
2018	72,946	72,946	-	450,284	16.20%
2019	82,367	82,367	-	485,941	16.95%
2020	105,014	105,014	-	593,299	17.70%
2021	112,051	112,051	-	633,056	17.70%
2022	108,790	108,790	-	614,633	17.70%

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

**City of Osseo**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios - Fire Relief Association**

	Measurement Date				
	2014	2015	2016	2017	2018
Total pension liability (TPL)					
Service cost	\$ -	\$ 13,749	\$ 14,869	\$ 15,278	\$ 19,095
Interest	-	14,653	13,960	13,212	12,276
Differences between expected and actual experience	-	-	-	(13,350)	-
Changes of assumptions	-	-	-	4,416	-
Changes of benefit terms	-	-	-	-	-
Benefit payments, including refunds or member contributions	-	(31,640)	(53,800)	(33,172)	-
Net change in total pension liability	-	(3,238)	(24,971)	(13,616)	31,371
Beginning of year	-	281,173	277,935	252,964	239,348
End of year	\$ -	\$ 277,935	\$ 252,964	\$ 239,348	\$ 270,719
Plan fiduciary net position (FNP)					
Contributions - employer	\$ -	\$ 23,341	\$ 14,230	\$ 16,428	\$ 15,546
Net investment income	-	(16,397)	15,092	34,081	(24,520)
Benefit payments, including refunds of member contributions	-	(31,640)	(53,800)	(33,172)	-
Administrative expense	-	(1,775)	(100)	(2,650)	(7,661)
Other	-	-	-	-	-
Net change in plan fiduciary net position	-	(26,471)	(24,578)	14,687	(16,635)
Beginning of year	-	439,873	413,402	388,824	403,511
End of year	\$ -	\$ 413,402	\$ 388,824	\$ 403,511	\$ 386,876
Net pension liability (NPL)	\$ -	\$ (135,467)	\$ (135,860)	\$ (164,163)	\$ (116,157)
Plan fiduciary net position as a percentage of the total pension liability	0.0%	148.7%	153.7%	168.6%	142.9%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but does not require retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

Measurement Date		
2019	2020	2021
\$ 19,620	\$ 14,959	\$ 20,231
12,721	12,205	14,905
(16,784)	-	(7,702)
770	4,641	9,408
-	56,692	-
<u>(45,058)</u>	<u>-</u>	<u>-</u>
<u>(28,731)</u>	<u>88,497</u>	<u>36,842</u>
<u>270,719</u>	<u>241,988</u>	<u>330,485</u>
<u>\$ 241,988</u>	<u>\$ 330,485</u>	<u>\$ 367,327</u>
\$ 16,052	\$ 20,724	\$ 22,727
51,586	45,018	27,837
(45,058)	-	-
(900)	(900)	(2,904)
<u>-</u>	<u>146</u>	<u>-</u>
21,680	64,988	47,660
<u>386,876</u>	<u>408,556</u>	<u>473,544</u>
<u>\$ 408,556</u>	<u>\$ 473,544</u>	<u>\$ 521,204</u>
<u>\$ (166,568)</u>	<u>\$ (143,059)</u>	<u>\$ (153,877)</u>
168.8%	143.3%	141.9%
n/a	n/a	n/a
n/a	n/a	n/a

**City of Osseo  
Schedule of City Contributions  
and Non-Employer Contributing  
Entities - Fire Relief Association**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer					
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the SDC	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-employer					
2% aid	<u>\$ 13,578</u>	<u>\$ 14,282</u>	<u>\$ 14,230</u>	<u>\$ 14,987</u>	<u>\$ 15,546</u>
Covered employee payroll	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	n/a	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 16,052</u>	<u>\$ 16,919</u>	<u>\$ 17,727</u>	<u>\$ 9,281</u>
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

**City of Osseo**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**City of Osseo**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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



**City of Osseo**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**City of Osseo**  
**Notes to Required Supplementary Information**

**Police and Fire Fund**

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

**City of Osseo**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

**City of Osseo**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**City of Osseo**  
**Notes to Required Supplementary Information**

**Volunteer Fire Fighter's Relief Association**

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate decreased from 4.24% to 3.75%.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.

Changes in Plan Provisions

- None

**2021 Changes**

Changes in Actuarial Assumptions

- The discount rate decreased from 4.75% to 4.24%.

Changes in Plan Provisions

- The lump sum multiplier was changed from \$1,600 to \$2,000.

**2020 Changes**

Changes in Actuarial Assumptions

- The mortality assumptions were updated from the rates used in the July 1, 2017, PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2019, PERA Police and Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.5%.

Changes in Plan Provisions

- None

**2019 Changes**

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- None

**City of Osseo**  
**Notes to Required Supplementary Information**

**Post Employment Health Care Plan**

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2022 valuations.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 50% to 25% to reflect recent plan experience.
- The retirement age assumption of future retirees not eligible for an explicit subsidy was changed from 62 to 63 years old to reflect recent plan experience.

**2021 Changes**

Changes in Actuarial Assumptions

- The Discount rate decreased from 2.75% to 2.00%

**2020 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Plan and 7/1/2017 Police & Fire Plan valuations to the rates used in the 7/1/2019 Police & Fire Plan valuations to the rates used in the 7/1/2019 valuations.
- Mortality rates were updated from the RP-2014 tables to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 Police & Fire Plan actuarial valuations.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward looking market expectations.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

**2019 Changes**

Changes in Actuarial Assumptions

- The Discount rate increased from 3.31% to 3.71%

**City of Osseo**  
**Notes to Required Supplementary Information**

**Post Employment Health Care Plan (Continued)**

**2018 Changes**

Changes in Plan Provisions

- The City switched from age-based rates to a blended rate for health insurance.
- The City implemented GASB 75 in 2018.

Changes in Actuarial Assumptions

- The Discount rate decrease from 3.81% to 3.31%.

There are no assets accumulated in a trust for Other Postemployment Benefits.

**SUPPLEMENTARY INFORMATION**



**City of Osseo**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2022**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 1,753,754	\$ 1,752,052	\$ (1,702)
Franchise taxes	122,000	128,645	6,645
Special assessments	2,300	4,131	1,831
Licenses and permits	183,850	187,337	3,487
Intergovernmental revenue			
Local government aid	649,929	649,929	-
Fire aid	26,250	19,281	(6,969)
Police aid	80,000	87,879	7,879
Other grants and aids	7,000	13,290	6,290
Total intergovernmental revenue	<u>763,179</u>	<u>770,379</u>	<u>7,200</u>
Revenue from eda component unit	-	40,000	40,000
Charges for services			
General government	13,000	6,963	(6,037)
Public safety	10,000	783	(9,217)
Culture and recreation	18,000	19,384	1,384
Total charges for services	<u>41,000</u>	<u>27,130</u>	<u>(13,870)</u>
Fines and forfeitures	<u>48,500</u>	<u>38,916</u>	<u>(9,584)</u>
Miscellaneous revenues			
Investment income	25,000	(15,892)	(40,892)
Contributions and donations	14,000	19,000	5,000
Other	77,887	39,567	(38,320)
Total miscellaneous revenues	<u>116,887</u>	<u>42,675</u>	<u>(74,212)</u>
Total revenues	<u>3,031,470</u>	<u>2,991,265</u>	<u>(40,205)</u>
<b>Expenditures</b>			
General government			
Mayor and council	37,041	34,401	(2,640)
Administrative and finance	433,593	406,659	(26,934)
Other general government	362,007	366,510	4,503
Total general government	<u>832,641</u>	<u>807,570</u>	<u>(25,071)</u>
Public safety			
Police			
Current	1,094,103	1,086,596	(7,507)
Fire			
Current	155,279	193,847	38,568

**City of Osseo**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures (Continued)</b>			
Public safety (continued)			
Building inspections			
Current	\$ 33,600	\$ 44,347	\$ 10,747
Total public safety	1,282,982	1,324,790	41,808
Public works			
Streets and highways			
Street maintenance and storm sewers	209,951	237,519	27,568
Culture and recreation			
Current	130,026	136,957	6,931
Total expenditures	2,455,600	2,506,836	51,236
Excess of revenues over (under) expenditures	575,870	484,429	(91,441)
<b>Other Financing Sources (Uses)</b>			
Transfers in	50,000	87,218	37,218
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	(575,870)	(538,652)	37,218
Net change in fund balances	\$ -	(54,223)	\$ (54,223)
<b>Fund Balance</b>			
Beginning of year		1,183,475	
End of year		\$ 1,129,252	

**City of Osseo  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2022**

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHeC - Healthy Communities Grant (241)
<b>Assets</b>				
Cash and investments	\$ 18,461	\$ 890	\$ 114,200	\$ 10,412
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other governments	-	-	-	-
	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 65	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned Revenue	-	-	-	-
Due to other governments	-	-	18	-
Total liabilities	<u>-</u>	<u>65</u>	<u>18</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	18,461	825	114,182	10,412
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>18,461</u>	<u>825</u>	<u>114,182</u>	<u>10,412</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>

Special Revenue

Cable TV (240)	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hennepin County Tree Assessment Grant (242)	COVID-19 Aid (230)	Twins Grant (244)
\$ 16,722	\$ 18,021	\$ 10,663	\$ 3,199	\$ 1,840	\$ 174,649	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	19,556	-	-	-
<u>\$ 16,722</u>	<u>\$ 18,021</u>	<u>\$ 10,663</u>	<u>\$ 22,755</u>	<u>\$ 1,840</u>	<u>\$ 174,649</u>	<u>\$ -</u>
\$ 8,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	726
-	-	-	-	-	151,370	-
-	-	-	-	-	-	-
<u>8,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,370</u>	<u>726</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	22,755	1,840	23,279	-
8,356	18,021	10,663	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(726)
<u>8,356</u>	<u>18,021</u>	<u>10,663</u>	<u>22,755</u>	<u>1,840</u>	<u>23,279</u>	<u>(726)</u>
<u>\$ 16,722</u>	<u>\$ 18,021</u>	<u>\$ 10,663</u>	<u>\$ 22,755</u>	<u>\$ 1,840</u>	<u>\$ 174,649</u>	<u>\$ -</u>

**City of Osseo  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2022**

	Debt Service			
	Special Revenue Total	2018A Improvement Bonds (309, 310)	2019 Improvement Bonds (311, 312)	2017A Improvement Bonds (308)
<b>Assets</b>				
Cash and investments	\$ 369,057	\$ 203,046	\$ 11,624	\$ 142,261
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	295
Deferred	-	131,035	133,796	105,052
Due from other governments	19,556	-	-	-
	<u>388,613</u>	<u>334,081</u>	<u>145,420</u>	<u>247,608</u>
Total assets	<u>\$ 388,613</u>	<u>\$ 334,081</u>	<u>\$ 145,420</u>	<u>\$ 247,608</u>
<b>Liabilities</b>				
Accounts payable	\$ 8,431	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	726	-	-	-
Unearned Revenue	151,370	-	-	-
Due to other governments	18	-	-	-
Total liabilities	<u>160,545</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	131,035	133,796	105,052
Total deferred inflows of resources	<u>-</u>	<u>131,035</u>	<u>133,796</u>	<u>105,052</u>
<b>Fund Balances</b>				
Restricted	191,754	203,046	11,624	142,556
Committed	37,040	-	-	-
Assigned	-	-	-	-
Unassigned	(726)	-	-	-
Total fund balances	<u>228,068</u>	<u>203,046</u>	<u>11,624</u>	<u>142,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 388,613</u>	<u>\$ 334,081</u>	<u>\$ 145,420</u>	<u>\$ 247,608</u>

Debt Service

2010A Refunding Bonds (380)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)
\$ -	\$ 74,377	\$ 118,238	\$ 121,381	\$ 211,715	\$ 458,713
458	-	-	-	-	-
-	127	-	-	-	973
-	49,870	50,971	-	-	167,138
-	-	-	-	-	-
<u>\$ 458</u>	<u>\$ 124,374</u>	<u>\$ 169,209</u>	<u>\$ 121,381</u>	<u>\$ 211,715</u>	<u>\$ 626,824</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
331	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
458	-	-	-	-	-
-	49,870	50,971	-	-	167,138
<u>458</u>	<u>49,870</u>	<u>50,971</u>	<u>-</u>	<u>-</u>	<u>167,138</u>
-	74,504	118,238	121,381	211,715	459,686
-	-	-	-	-	-
-	-	-	-	-	-
(331)	-	-	-	-	-
<u>(331)</u>	<u>74,504</u>	<u>118,238</u>	<u>121,381</u>	<u>211,715</u>	<u>459,686</u>
<u>\$ 458</u>	<u>\$ 124,374</u>	<u>\$ 169,209</u>	<u>\$ 121,381</u>	<u>\$ 211,715</u>	<u>\$ 626,824</u>

**City of Osseo  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2022**

	Debt Service		Capital Projects	
	2020 Improvement Bonds (313)	Debt Service Total	Police Equipment (115)	Fire Equipment (120)
<b>Assets</b>				
Cash and investments	\$ 175,447	\$ 1,516,802	\$ 7,789	\$ 36,282
Taxes receivable - delinquent	-	458	-	-
Special assessments receivable				
Delinquent	-	1,395	-	-
Deferred	163,934	801,796	-	-
Due from other governments	-	-	-	-
	<u>\$ 339,381</u>	<u>\$ 2,320,451</u>	<u>\$ 7,789</u>	<u>\$ 36,282</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 450	\$ 2,388
Contracts payable	-	-	-	-
Due to other funds	-	331	-	-
Unearned Revenue	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>331</u>	<u>450</u>	<u>2,388</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	458	-	-
Unavailable revenue - special assessments	163,934	801,796	-	-
Total deferred inflows of resources	<u>163,934</u>	<u>802,254</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	175,447	1,518,197	-	-
Committed	-	-	-	-
Assigned	-	-	7,339	33,894
Unassigned	-	(331)	-	-
Total fund balances	<u>175,447</u>	<u>1,517,866</u>	<u>7,339</u>	<u>33,894</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 339,381</u>	<u>\$ 2,320,451</u>	<u>\$ 7,789</u>	<u>\$ 36,282</u>

Capital Projects

Facilities Fund (135)	Equipment Fund (110)	Hennepin County Corridor Planning (243)	2020 Improvement Project (409)	Capital Projects Total	Total Nonmajor Governmental Funds
\$ 270,294	\$ 430,894	\$ -	\$ -	\$ 745,259	\$ 2,631,118
-	-	-	-	-	458
-	-	-	-	-	1,395
-	-	-	-	-	801,796
-	-	-	-	-	19,556
<u>\$ 270,294</u>	<u>\$ 430,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,259</u>	<u>\$ 3,454,323</u>
\$ -	\$ 5,463	\$ -	\$ 67	\$ 8,368	\$ 16,799
-	-	-	6,796	6,796	6,796
-	-	594	76,411	77,005	78,062
-	-	-	-	-	151,370
-	-	-	-	-	18
-	<u>5,463</u>	<u>594</u>	<u>83,274</u>	<u>92,169</u>	<u>253,045</u>
-	-	-	-	-	458
-	-	-	-	-	801,796
-	-	-	-	-	802,254
45,000	322,858	-	-	367,858	2,077,809
-	-	-	-	-	37,040
225,294	102,573	-	-	369,100	369,100
-	-	(594)	(83,274)	(83,868)	(84,925)
<u>270,294</u>	<u>425,431</u>	<u>(594)</u>	<u>(83,274)</u>	<u>653,090</u>	<u>2,399,024</u>
<u>\$ 270,294</u>	<u>\$ 430,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,259</u>	<u>\$ 3,454,323</u>



**City of Osseo**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2022**

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHeC - Healthy Communities Grant (241)
<b>Revenues</b>				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	657	-	-
Revenue from eda component unit	-	-	-	-
Charges for services	-	-	29,390	-
Miscellaneous				
Investment income	(203)	-	(2,460)	-
Contributions and donations	2,869	-	-	-
Other	-	-	-	-
Total revenues	<u>2,666</u>	<u>657</u>	<u>26,930</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	1,463	-	-	-
Culture and recreation	-	862	19,750	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	50	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	59,049	-
Total expenditures	<u>1,513</u>	<u>862</u>	<u>78,799</u>	<u>-</u>
Excess of revenues over (under) expenditures	1,153	(205)	(51,869)	-
<b>Other Financing Sources (Uses)</b>				
Sources (uses)				
Transfers in	-	-	35,064	-
Transfers out	-	-	-	-
sources (uses)	<u>-</u>	<u>-</u>	<u>35,064</u>	<u>-</u>
Net change in fund balances	1,153	(205)	(16,805)	-
<b>Fund Balances</b>				
Beginning of year	<u>17,308</u>	<u>1,030</u>	<u>130,987</u>	<u>10,412</u>
Change in accounting principle (Note 14)	-	-	-	-
Beginning of year, as restated	<u>17,308</u>	<u>1,030</u>	<u>130,987</u>	<u>10,412</u>
End of year	<u>\$ 18,461</u>	<u>\$ 825</u>	<u>\$ 114,182</u>	<u>\$ 10,412</u>

Special Revenue

Cable TV (240)	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hennepin County Tree Assessment Grant (242)	COVID-19 Aid (230)	Twins Grant (244)	EDA General
\$ 26,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	19,556	-	87,466	-	-
-	-	-	-	-	-	-	-
(441)	(7)	(145)	-	-	-	-	-
-	20,720	-	-	-	-	-	-
-	700	100	-	-	-	-	-
<u>26,491</u>	<u>21,413</u>	<u>(45)</u>	<u>19,556</u>	<u>-</u>	<u>87,466</u>	<u>-</u>	<u>-</u>
6,830	-	-	5,944	-	-	-	-
-	-	-	-	-	300	-	-
-	17,152	925	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,072	-	-	-	-	-	-	-
31,424	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>45,326</u>	<u>17,152</u>	<u>925</u>	<u>5,944</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>
(18,835)	4,261	(970)	13,612	-	87,166	-	-
-	-	-	-	-	-	-	-
(10,000)	-	-	-	-	(63,887)	-	-
<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,887)</u>	<u>-</u>	<u>-</u>
(28,835)	4,261	(970)	13,612	-	23,279	-	-
37,191	13,760	11,633	9,143	1,840	-	(726)	312,335
-	-	-	-	-	-	-	(312,335)
37,191	13,760	11,633	9,143	1,840	-	(726)	-
<u>\$ 8,356</u>	<u>\$ 18,021</u>	<u>\$ 10,663</u>	<u>\$ 22,755</u>	<u>\$ 1,840</u>	<u>\$ 23,279</u>	<u>\$ (726)</u>	<u>\$ -</u>

**City of Osseo**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2022**

	Special Revenue Total	Debt Service		
		2018A Improvement Bonds (309, 310)	2019 Improvement Bonds (311, 312)	2017A Improvement Bonds (308)
<b>Revenues</b>				
Franchise taxes	\$ 26,932	\$ -	\$ -	\$ -
Special assessments	-	31,996	21,388	21,131
Intergovernmental	107,679	-	-	-
Revenue from eda component unit	-	-	-	-
Charges for services	29,390	-	-	-
Miscellaneous				
Investment income	(3,256)	(2,119)	(191)	1,129
Contributions and donations	23,589	-	-	-
Other	800	-	-	-
Total revenues	<u>185,134</u>	<u>29,877</u>	<u>21,197</u>	<u>22,260</u>
<b>Expenditures</b>				
Current				
General government	12,774	-	-	-
Public safety	1,763	-	-	-
Culture and recreation	38,689	-	-	-
Debt service				
Principal	-	45,000	40,000	40,000
Interest and other charges	-	20,471	16,690	16,905
Capital outlay				
General government	7,072	-	-	-
Public safety	31,474	-	-	-
Public works	-	-	-	-
Culture and recreation	59,049	-	-	-
Total expenditures	<u>150,821</u>	<u>65,471</u>	<u>56,690</u>	<u>56,905</u>
Excess of revenues over (under) expenditures	34,313	(35,594)	(35,493)	(34,645)
<b>Other Financing Sources (Uses)</b>				
Sources (uses)				
Transfers in	35,064	34,433	33,323	58,034
Transfers out	(73,887)	-	-	-
Total other financing sources (uses)	<u>(38,823)</u>	<u>34,433</u>	<u>33,323</u>	<u>58,034</u>
Net change in fund balances	(4,510)	(1,161)	(2,170)	23,389
<b>Fund Balances</b>				
Beginning of year	<u>544,913</u>	<u>204,207</u>	<u>13,794</u>	<u>119,167</u>
Change in accounting principle (Note 14)	<u>(312,335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>232,578</u>	<u>204,207</u>	<u>13,794</u>	<u>119,167</u>
End of year	<u>\$ 228,068</u>	<u>\$ 203,046</u>	<u>\$ 11,624</u>	<u>\$ 142,556</u>

Debt Service

2010A Refunding Bonds (380)	2011A Refunding Bonds (385)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)	2020 Improvement Bonds (313)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	18,048	14,992	-	-	31,710	28,395
-	-	-	-	-	-	-	-
-	172,869	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(874)	-	(841)	(1,203)	545	(1,577)	(5,402)	(1,623)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(874)</u>	<u>172,869</u>	<u>17,207</u>	<u>13,789</u>	<u>545</u>	<u>(1,577)</u>	<u>26,308</u>	<u>26,772</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
190,000	170,000	30,000	30,000	50,000	160,000	80,000	45,000
3,230	2,869	5,512	11,613	33,450	16,975	21,388	15,225
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>193,230</u>	<u>172,869</u>	<u>35,512</u>	<u>41,613</u>	<u>83,450</u>	<u>176,975</u>	<u>101,388</u>	<u>60,225</u>
(194,104)	-	(18,305)	(27,824)	(82,905)	(178,552)	(75,080)	(33,453)
-	-	11,490	31,328	82,125	168,895	60,646	34,999
-	-	-	-	-	-	-	-
-	-	<u>11,490</u>	<u>31,328</u>	<u>82,125</u>	<u>168,895</u>	<u>60,646</u>	<u>34,999</u>
(194,104)	-	(6,815)	3,504	(780)	(9,657)	(14,434)	1,546
<u>193,773</u>	<u>-</u>	<u>81,319</u>	<u>114,734</u>	<u>122,161</u>	<u>221,372</u>	<u>474,120</u>	<u>173,901</u>
-	-	-	-	-	-	-	-
<u>193,773</u>	<u>-</u>	<u>81,319</u>	<u>114,734</u>	<u>122,161</u>	<u>221,372</u>	<u>474,120</u>	<u>173,901</u>
<u>\$ (331)</u>	<u>\$ -</u>	<u>\$ 74,504</u>	<u>\$ 118,238</u>	<u>\$ 121,381</u>	<u>\$ 211,715</u>	<u>\$ 459,686</u>	<u>\$ 175,447</u>

**City of Osseo**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2022**

	Debt Service		Capital Projects	
	EDA Debt Service	Debt Service Total	Police Equipment (115)	Fire Equipment (120)
<b>Revenues</b>				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	167,660	-	-
Intergovernmental	-	-	-	-
Revenue from eda component unit	-	172,869	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	(12,156)	-	-
Contributions and donations	-	-	1,208	72,086
Other	-	-	-	-
Total revenues	<u>-</u>	<u>328,373</u>	<u>1,208</u>	<u>72,086</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	3,797	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	880,000	-	-
Interest and other charges	-	164,328	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	732	43,463
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>1,044,328</u>	<u>4,529</u>	<u>43,463</u>
Excess of revenues over (under) expenditures	-	(715,955)	(3,321)	28,623
<b>Other Financing Sources (Uses)</b>				
Sources (uses)				
Transfers in	-	515,273	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>515,273</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(200,682)	(3,321)	28,623
<b>Fund Balances</b>				
Beginning of year	<u>363,935</u>	<u>2,082,483</u>	<u>10,660</u>	<u>5,271</u>
Change in accounting principle (Note 14)	<u>(363,935)</u>	<u>(363,935)</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>-</u>	<u>1,718,548</u>	<u>10,660</u>	<u>5,271</u>
End of year	<u>\$ -</u>	<u>\$ 1,517,866</u>	<u>\$ 7,339</u>	<u>\$ 33,894</u>

Capital Projects

Facilities Fund (135)	Equipment Fund (110)	Hennepin County Corridor Planning (243)	2020 Improvement Project (409)	EDA Capital Projects	Capital Projects Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,932
-	-	-	-	-	-	167,660
-	-	-	-	-	-	107,679
-	-	-	-	-	-	172,869
-	-	-	-	-	-	29,390
(2,969)	(4,335)	-	-	-	(7,304)	(22,716)
-	-	-	-	-	73,294	96,883
-	41,162	-	-	-	41,162	41,962
<u>(2,969)</u>	<u>36,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,152</u>	<u>620,659</u>
-	-	-	-	-	-	12,774
-	-	-	-	-	3,797	5,560
-	-	-	-	-	-	38,689
-	-	-	-	-	-	880,000
-	-	-	-	-	-	164,328
-	31,101	-	-	-	31,101	38,173
-	17,287	-	-	-	61,482	92,956
-	5,195	-	6,732	-	11,927	11,927
-	-	-	-	-	-	59,049
-	<u>53,583</u>	<u>-</u>	<u>6,732</u>	<u>-</u>	<u>108,307</u>	<u>1,303,456</u>
(2,969)	(16,756)	-	(6,732)	-	(1,155)	(682,797)
127,660	132,660	-	-	-	260,320	810,657
(82,125)	(13,331)	-	-	-	(95,456)	(169,343)
<u>45,535</u>	<u>119,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,864</u>	<u>641,314</u>
42,566	102,573	-	(6,732)	-	163,709	(41,483)
<u>227,728</u>	<u>322,858</u>	<u>(594)</u>	<u>(76,542)</u>	<u>170,758</u>	<u>660,139</u>	<u>3,287,535</u>
-	-	-	-	(170,758)	(170,758)	(847,028)
<u>227,728</u>	<u>322,858</u>	<u>(594)</u>	<u>(76,542)</u>	<u>-</u>	<u>489,381</u>	<u>2,440,507</u>
<u>\$ 270,294</u>	<u>\$ 425,431</u>	<u>\$ (594)</u>	<u>\$ (83,274)</u>	<u>\$ -</u>	<u>\$ 653,090</u>	<u>\$ 2,399,024</u>

**City of Osseo  
Combining Balance Sheet -  
EDA Component Unit  
December 31, 2022**

	General Fund	Debt Service		
	Economic Development Authority (801)	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
<b>Assets</b>				
Cash and investments	\$ 705,397	\$ 9,136	\$ 215,764	\$ 224,900
Accounts receivable	-	-	-	-
Mortgages receivable	304,023	-	-	-
Total assets	\$ 1,009,420	\$ 9,136	\$ 215,764	\$ 224,900
<b>Liabilities</b>				
Accounts payable	\$ 5,490	\$ 10,175	\$ 100,235	\$ 110,410
Due to primary government	462,284	-	-	-
Total liabilities	467,774	10,175	100,235	110,410
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - mortgages	304,023	-	-	-
<b>Fund Balances</b>				
Restricted	237,623	-	115,529	115,529
Unassigned	-	(1,039)	-	(1,039)
Total fund balances	237,623	(1,039)	115,529	114,490
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,009,420	\$ 9,136	\$ 215,764	\$ 224,900

Capital Projects

TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	Bell Tower TIF (820)	TIF 2-8 Lancor Lyndes Inn (825)	Hall Sweeney TIF (840)	Total	Total EDA Funds
\$ 94,560	\$ 94,897	\$ 474,299	\$ 91,417	\$ -	\$ 755,173	\$ 1,685,470
-	-	-	-	18,438	18,438	18,438
-	-	-	-	-	-	304,023
<u>\$ 94,560</u>	<u>\$ 94,897</u>	<u>\$ 474,299</u>	<u>\$ 91,417</u>	<u>\$ 18,438</u>	<u>\$ 773,611</u>	<u>\$ 2,007,931</u>
\$ 54,352	\$ 21,270	\$ -	\$ 6,931	\$ 978	\$ 83,531	\$ 199,431
-	-	-	-	17,460	17,460	479,744
<u>54,352</u>	<u>21,270</u>	<u>-</u>	<u>6,931</u>	<u>18,438</u>	<u>100,991</u>	<u>679,175</u>
-	-	-	-	-	-	304,023
40,208	73,627	474,299	84,486	-	672,620	1,025,772
-	-	-	-	-	-	(1,039)
<u>40,208</u>	<u>73,627</u>	<u>474,299</u>	<u>84,486</u>	<u>-</u>	<u>672,620</u>	<u>1,024,733</u>
<u>\$ 94,560</u>	<u>\$ 94,897</u>	<u>\$ 474,299</u>	<u>\$ 91,417</u>	<u>\$ 18,438</u>	<u>\$ 773,611</u>	<u>\$ 2,007,931</u>



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**City of Osseo  
 Reconciliation of the Balance Sheet to  
 the Statement of Net Position - EDA Component Unit  
 December 31, 2022**

Total fund balances - component unit	\$ 1,024,733
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.          Long-term liabilities at year-end consist of:</p>	
Bond principal payable	(465,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Second mortgage principal and accrued interest	304,023
<p>Governmental funds do not report a liability for accrued interest due and payable.</p>	
	<u>(6,106)</u>
Total net position - component unit	<u>\$ 857,650</u>

**City of Osseo**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - EDA Component Unit**  
**Year Ended December 31, 2022**

	Special Revenue	Debt Service		
	Economic Development Authority (801)	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
<b>Revenues</b>				
Tax increments	\$ -	\$ 296,891	\$ 439,346	\$ 736,237
Miscellaneous				
Investment income	(7,673)	(4,875)	-	(4,875)
Refunds and reimbursements	-	-	-	-
Total revenues	<u>(7,673)</u>	<u>292,016</u>	<u>439,346</u>	<u>731,362</u>
<b>Expenditures</b>				
<b>Current</b>				
Economic development	27,039	18,924	203,043	221,967
<b>Debt service</b>				
Principal	-	-	95,000	95,000
Interest and other charges	-	-	15,971	15,971
<b>Intergovernmental</b>				
Payments to primary government for				
Debt service and tif administration	40,000	172,869	-	172,869
Total expenditures	<u>67,039</u>	<u>191,793</u>	<u>314,014</u>	<u>505,807</u>
Excess of revenues over (under) expenditures	(74,712)	100,223	125,332	225,555
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(475,000)	-	(475,000)
Total other financing sources (uses)	<u>-</u>	<u>(475,000)</u>	<u>-</u>	<u>(475,000)</u>
Net change in fund balances	(74,712)	(374,777)	125,332	(249,445)
<b>Fund Balances</b>				
Beginning of year	<u>312,335</u>	<u>373,738</u>	<u>(9,803)</u>	<u>363,935</u>
End of year	<u>\$ 237,623</u>	<u>\$ (1,039)</u>	<u>\$ 115,529</u>	<u>\$ 114,490</u>

Capital Projects

TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	Bell Tower TIF (820)	TIF 2-8 Lancor Lyndes Inn (825)	Hall Sweeney TIF (840)	Total	Total EDA Funds
\$ 117,443	\$ 45,034	\$ -	\$ 35,537	\$ -	\$ 198,014	\$ 934,251
(769)	-	(701)	-	-	(1,470)	(14,018)
-	-	-	-	28,437	28,437	28,437
<u>116,674</u>	<u>45,034</u>	<u>(701)</u>	<u>35,537</u>	<u>28,437</u>	<u>224,981</u>	<u>948,670</u>
115,106	41,534	-	13,042	28,437	198,119	447,125
-	-	-	-	-	-	95,000
-	-	-	-	-	-	15,971
-	-	-	-	-	-	212,869
<u>115,106</u>	<u>41,534</u>	<u>-</u>	<u>13,042</u>	<u>28,437</u>	<u>198,119</u>	<u>770,965</u>
1,568	3,500	(701)	22,495	-	26,862	177,705
-	-	475,000	-	-	475,000	475,000
-	-	-	-	-	-	(475,000)
<u>-</u>	<u>-</u>	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>-</u>
1,568	3,500	474,299	22,495	-	501,862	177,705
<u>38,640</u>	<u>70,127</u>	<u>-</u>	<u>61,991</u>	<u>-</u>	<u>170,758</u>	<u>847,028</u>
<u>\$ 40,208</u>	<u>\$ 73,627</u>	<u>\$ 474,299</u>	<u>\$ 84,486</u>	<u>\$ -</u>	<u>\$ 672,620</u>	<u>\$ 1,024,733</u>

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**City of Osseo**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**to the Statement of Activities - EDA Component Unit**  
**Year Ended December 31, 2022**

Total Net Change in Fund Balances - Component Unit	\$ 177,705
Amounts reported for governmental activities in the Statement of Activities are different because:	
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net assets in the Statement of Activities.	95,000
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 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.	<u>1,065</u>
Change in Net Position - Component Unit	<u><u>\$ 273,770</u></u>

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**Minnesota Legal Compliance**

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Osseo  
Osseo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Osseo, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 26, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Minneapolis, Minnesota  
July 26, 2023