

PRELIMINARY OFFICIAL STATEMENT – June 27, 2024

New Issue

(State of Minnesota) AAA/Stable Rating (applied for)
State of Minnesota Credit Enhancement Program Participant

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, if the Bonds are issued as tax-exempt bonds, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Such interest is taken into account in determining taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "Taxability of Interest" herein.

Dated: August 13, 2024

\$2,150,000*

City of Swanville, Minnesota

General Obligation Utility Revenue Bonds, Series 2024A

Schedule of Maturity Dates, Principal Amounts, and Interest Rates

The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2025	\$ -			2040	\$ 70,000		
2026	-			2041	75,000		
2027	45,000			2042	75,000		
2028	45,000			2043	80,000		
2029	45,000			2044	85,000		
2030	50,000			2045	85,000		
2031	50,000			2046	90,000		
2032	50,000			2047	95,000		
2033	55,000			2048	100,000		
2034	55,000			2049	105,000		
2035	60,000			2050	105,000		
2036	60,000			2051	110,000		
2037	65,000			2052	115,000		
2038	65,000			2053	120,000		
2039	65,000			2054	130,000		

*Preliminary Par amount

First Interest Payment

The first interest payment will be due August 1, 2025

Optional Redemption

The General Obligation Utility Revenue Bonds, Series 2024A (the "Bonds") maturing on or after February 1, 2033 are callable February 1, 2032. Bonds are issued and callable at a price of par plus accrued interest in multiples of \$5,000.

Underwriter

DA Davidson. has agreed to purchase the Bonds from the City for an aggregate price of \$_____, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about August 13, 2024. Northland Trust Services, Inc., Minneapolis, Minnesota, will act as pay agent/registrars for this issue.



DA DAVIDSON
FIXED INCOME CAPITAL MARKETS

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

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Bonds, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF SWANVILLE, MINNESOTA

City of Swanville City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Sandy Lange	Mayor	12/31/2024
Jim Molitor	Council Member	12/31/2026
John Dragseth	Council Member	12/31/2024
Tony Maciej	Council Member	12/31/2026
Norman Carlson	Council Member	12/31/2024

Administration

Julie Hollermann	City Clerk-Treasurer	Appointed
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Bond Counsel

Fryberger, Buchanan, Smith & Frederick, P.A.
Duluth, MN

Municipal Advisor

David Drown Associates, Inc.
Minneapolis, MN

Pay Agent

Northland Trust Services, Inc.
Minneapolis, MN

Underwriter

D. A. Davidson & Co.
3140 Harbor Lane, Suite 125
Plymouth, MN 55447

OFFICIAL STATEMENT

CITY OF SWANVILLE, MINNESOTA

\$2,150,000 GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2024A

INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of, \$2,150,000 General Obligation Utility Revenue Bonds, Series 2024A (the "Bonds") by City of Swanville, Minnesota (the "City".) This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Julie Hollermann, City Clerk-Treasurer, City of Swanville; PO Box 276, Swanville, MN 56382 or by telephoning (320) 547-2489.

Limited Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information data about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

This will be the first bond issue the City has that will be subject to the Rule. The City is aware of the requirements and will be working with a dissemination agent.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475 to finance the City's 2024 utility project, which consists of water main replacement, water storage solution, water meter replacement, and water and sewer construction for North Berkey (the "Project").

Estimated Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ <u>2,150,000</u>	Project Costs	\$ 2,064,251
		Issuance Costs and Underwriter's	81,000
		Discount Allowance	
		Surplus Funds	<u>4,749</u>
Totals	\$ 2,150,000		\$ 2,150,000

Payment and Security

The Bonds are a general obligation of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. In addition, the City has pledged revenues from its Water and Sewer Utilities to make the semi-annual payments for the Bonds.

Optional Redemption

The City may elect on February 1, 2032, and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

State of Minnesota Credit Enhancement Program

By the resolution adopted for this issue on June 10, 2024 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default on certain city obligations. The City has entered into a "Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota.

The City covenants in the Agreement to deposit with the Paying Agent for this issue (the "Paying Agent") all debt service payments on the Bonds at least 3 days prior to such payment due dates. Under the Agreement, if the City believes it may be unable to make all or a portion of the principal or interest payment for the Series 2024A Bonds on the due date, it must notify the Authority not less than 15 business days prior to the day a payment is due. The City's agreement with the Paying Agent for the Series 2024A Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Finance (with a copy to the Authority) if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Series 2024A Bonds. The Paying Agent is also required to notify the Minnesota Commissioner of Finance if on the day two business days before the date a payment is due on the Series 2024A Bonds there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Series 2024A Bonds on or before the due date, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the legislature to provide for the availability of funds in the General Fund for this purpose.

Taxability of Interest

At closing, Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. **Gross Income:** the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is taken into account in determining taxable income for purposes of Minnesota franchise tax imposed on corporations and financial institutions.

2. Alternative Minimum Tax: interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.
3. Compliance: the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS.

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

Other Federal Tax Considerations

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Risk Factors

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

Taxes The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue be insufficient.

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

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

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

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

Economy A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

Details of Certain Terms

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the month prior to the interest payment date (the "Record Date").

Original Issue Discount

Original Issue Discount Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such

Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Original Issue Premium Bonds ("Premium Bonds") may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Premium Bonds should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a "banking organization" within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York State Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on files with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Obligations, except in the event that use of the book entry system for the Obligations is discontinued or as an option upon the transfer of an entire maturity.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issue or Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Litigation

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

Future Financing

At this time the City is not planning to finance additional projects for the next twelve (12) months.

Legality

The Bonds are subject to approval as to certain matters by Fryberger, Buchanan, Smith & Frederick of Duluth, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the Bonds, except for statements under “Taxability of Interest” herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as “Appendix B – PROPOSED FORM OF LEGAL OPINION,” and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full County Auditor's Certificates from Morrison and Todd Counties in Minnesota for taxes payable in 2024 found under Appendix A.

Unless noted otherwise, all information contained in the following sections is a combined total for the entire City - both the Morrison County and Todd County portions.

TRENDS IN VALUATIONS

Trends in Valuations

<u>Taxes Payable Year</u>	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2023/24	\$ 28,512,949	\$ 25,861,700	\$ 23,362,147	\$ 261,584
2022/23	27,587,998	22,503,500	19,868,118	223,327
2021/22	22,012,794	20,070,200	17,466,616	200,390
2020/21	19,659,580	18,579,500	16,065,815	191,520
2019/20	18,832,394	17,936,800	15,273,363	185,128
2018/19	19,345,697	16,977,400	14,040,137	174,427
2017/18	17,742,413	16,332,100	13,712,177	173,169

CASH AND INVESTMENTS

(as of 06/14/2024)

<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 58,445
Special	84,160
Debt Service	(10,188)
Capital	(163,034)
Enterprise	<u>379,078</u>
Total	\$ 348,460

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CITY INDEBTEDNESS

(as of June 1, 2024)

Legal Debt Limit and Margin*

Legal Debt Limit (3% of Estimated Market Value)	\$ 775,851
Less: Outstanding Debt Subject to Limit	<u>0</u>
 Legal Debt Margin as of 06/01/2024	 \$ 775,851

*Combined legal debt limit of Morrison and Todd Counties

General Obligation Debt Supported by Tax Increment

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
06/19/2017	\$ 270,000	Tax Increment	02/01/2028	\$ <u>126,000</u>
Total				\$ 126,000

General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
08/13/2024	\$ 2,150,000	Utility Revenue, This Issue	02/01/2054	\$ 2,150,000
03/28/2023	563,000	Temporary Water Revenue	03/01/2026	563,000
07/06/2013	953,866	Utility Revenue	08/20/2043	697,000
07/07/2009	647,312	Utility Revenue	08/20/2026	<u>216,000</u>
Total				\$ 3,626,000

Summary of Direct Debt Including This Issue

	<u>Gross Debt</u>	<u>Less: Debt Funds</u>	<u>Net Direct Debt</u>
GO Debt Supported by Tax Increment	\$ 126,000	\$ -	\$ 126,000
GO Debt Supported by Revenues	<u>3,626,000</u>		<u>3,626,000</u>
Total	\$ 3,752,000	\$ -	\$ 3,752,000

Overlapping Debt

<u>Taxing Unit *</u>	<u>2023/24 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Morrison County	\$ 52,197,030	0.49%	\$ 1,290,000	\$ 6,372
Todd County	39,778,105	0.01%	1,415,000	133
ISD #486 - Swanville	3,825,659	6.74%	7,070,000	<u>476,504</u>
Total				\$ 483,009

*Includes only those jurisdictions with General Obligation debt outstanding and debt amounts as of 12/31/23.

Debt Ratios

	Net <u>G.O. Debt</u>	Debt/Economic Market Value <u>\$28,512,949</u>	Debt per Capita <u>326</u>
Net Direct G.O. Debt*	\$ 126,000	0.44%	\$ 387
Net Direct and Overlapping GO Debt	608,877	2.14%	1,868

*Excludes General Obligation Debt Supported by Revenues

Annual Debt Service Payments

Year	GO Debt Supported by Tax Increment			GO Debt Supported by Revenues		
	Principal	Payment	% Retired	Principal	Payment	%Retired
2024	\$ -	\$ 1,953	0%	\$ 64,000	\$ 82,072	2%
2025	30,000	33,441	24%	65,000	183,955	4%
2026	31,000	33,496	48%	629,000	742,916	21%
2027	32,000	33,519	74%	112,000	214,111	24%
2028	<u>33,000</u>	<u>33,512</u>	100%	113,000	212,308	27%
2029				114,000	210,489	30%
2030				82,000	175,558	33%
2031				83,000	174,107	35%
2032				84,000	172,636	37%
2033				89,000	175,055	40%
2034				90,000	173,380	42%
2035				96,000	176,575	45%
2036				96,000	173,698	47%
2037				102,000	176,709	50%
2038				103,000	174,608	53%
2039				103,000	171,342	56%
2040				109,000	173,827	59%
2041				115,000	176,085	62%
2042				116,000	173,164	65%
2043				121,000	174,061	69%
2044				85,000	133,743	71%
2045				85,000	130,088	73%
2046				90,000	131,280	76%
2047				95,000	132,210	78%
2048				100,000	132,920	81%
2049				105,000	133,410	84%
2050				105,000	128,738	87%
2051				110,000	128,900	90%
2052				115,000	128,838	93%
2053				120,000	128,550	96%
2054				<u>130,000</u>	<u>135,850</u>	100%
Totals	\$ 126,000	\$ 135,920		\$ 3,626,000	\$ 5,531,199	

GENERAL INFORMATION

The City of Swanville is located in western Morrison County with a small portion of the City limits extending into southeastern Todd County in central Minnesota. The City is located approximately 109 miles northwest of Minneapolis. County Highways 15 and 12 are the main routes in the area.

Organization

The City of Swanville was incorporated as a City in 1893. The City Council is composed of a Mayor and four council members. The Mayor is elected for a two-year term. Council members are elected to serve overlapping four-year terms. The present Council is comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Sandy Lange	Mayor	12/31/2024
Jim Molitor	Council Member	12/31/2026
John Dragseth	Council Member	12/31/2024
Tony Maciej	Council Member	12/31/2026
Norman Carlson	Council Member	12/31/2024

Julie Hollermann is the appointed City Clerk-Treasurer and is responsible for administering Council policy on a day-to-day basis. The City employs one (1) full-time individual and 3 part-time individuals in the maintenance, administration and janitorial departments. The City's fire department has 20 volunteer firefighters, and police services are provided by the Morrison County Sheriff's Office.

City Services

The City's municipal water service has two (2) wells with a pumping capacity of 288,000 gallons per day. The average demand is 34,000 gallons per day with a peak demand of 68,000 gallons per day. The elevated storage capacity is 60,000 gallons and there are 158 connections to the system.

The City has a mechanical plant/sanitary sewer treatment facility with a treatment capacity of 182,000 gallons per day. The average demand is 45,000 gallons per day with a peak demand of 182,000 gallons per day. There are 144 connections to the sanitary sewer system.

The City has one (1) City Park. They do not have park and recreation programs.

Source: City Records

Employee Pensions

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan and are covered by Social Security. The City contribution to GERP for the year ended December 31, 2023 was \$4,530.

Financial Services

First State Bank of Swanville has a location in Swanville, MN. They reported deposits of \$21,418,000 as of June 30, 2023.

Source: FDIC Summary of Deposits

Census Data

Population Trends

	<u>Population</u>
2010 US Census	318
2015 US Census	328
2020 US Census	326

Source: U.S. Census Bureau

Income and Housing Statistics

	<u>City of Swanville</u>	<u>Morrison County</u>	<u>Todd County</u>	<u>State of Minnesota</u>
2022 per Capita Income	\$ 34,075	\$ 34,269	\$ 30,812	\$ 45,021
2022 Median Household Income	55,313	66,264	63,216	82,338
Persons Living in Poverty	10.8%	10.3%	12.0%	9.6%
Median Value - Owner Occupied Housing	\$ 130,000	\$ 220,600	\$ 173,200	\$ 314,600

Source: US Census Bureau

One (1) single-family home was constructed in the last year.

Employment Data

	<u>Labor Force</u>	<u>Unemployment Rate</u>	
	<u>Morrison County</u>	<u>Morrison County.</u>	<u>State of MN</u>
April, 2024	17,879	4.5%	2.7%
April, 2023	17,505	5.2%	2.8%
	<u>Todd County</u>	<u>Todd County</u>	
April 2024	13,946	3.3%	
April 2023	13,633	4.0%	

Source: Minnesota Department of Employment & Economic Development

Major Employers

Employer	Product/Service	# of Employees
Swanville School	Education	75
JennieO Feed Mill	Feed for Animals	25
Swanville Produce	Hardware/Feed/ Seed	7
Lucky's Saloon	Libation/Fast Food	12
Nilson Hardward	Hardware	6
Big Johnson's Grocery Store	Groceries	6

Source: City Records

Building Permits

Year	Number of Permits			Total Value of Permits
	Commercial/Industrial	Residential	Other*	
2024**	0	1	3	\$60,000
2023	2	4	4	1,145,000
2022	0	3	7	265,500
2021	0	3	3	259,000
2020	0	5	3	77,200
2019	0	5	7	1,415,000

* Other includes: fences, cement work, bell tower, decks.

** As of June 14, 2024

Commercial/Industrial Development

In the past three (3) years, the City has not had any commercial/industrial development in excess of \$25,000.

Source: City Records as of June 14, 2024

The City has a 15-acre Industrial Park that is approximately 20% developed. The City does not provide water and sewer services to the Industrial Park at this time.

Education

Swanville School District (ISD 486) is a public school district located in Swanville, MN. They operate a single PK-12 School in Swanville MN with a full range of services from pre-school to 12th grade. The closest four-year college is the College of Saint Benedict in Saint Josph, MN (30 Miles); and the closest technical college to the City is Saint Cloud Technical and Community College in Saint Cloud MN (35 miles); Saint Cloud State University (also 35 miles away, in Saint Cloud) is the closest university.

Source: www.swanville.k12.mn.us and www.city-data.com

Healthcare

St. Gabriel and St. Camillus Place (both in Little Falls) are the closest hospitals to the City (14 miles). Little Falls also has two nursing homes that serve the Swanville area. Todd County PHNS is a home health center in Long Prairie MN (12 miles).

Source: www.city-data.com

Transportation

The City is located approximately 109 miles northwest of Minneapolis in the central portion of the State. Minnesota State Highways 15 and 12 are the main routes in the area.

Source: www.mapquest.com

Communications

The City of Swanville is provided local telephone service by Sytek. The City has teleconferencing and local internet access available. The City's official newspaper is the Morrison County Record. The paper is published every Sunday. In addition, the City has an on-line presence at www.swanvillemn.com.

Source: City Records

APPENDIX A

COUNTY AUDITOR'S CERTIFICATES

The following pages contain copies of the Morrison County Auditor and Todd County Auditor's Certificates for taxes payable in 2024.

Printed: 6/10/2024 11:01:33 AM
User: MCDOMManatron
Report: MN Auditor's Certificate

Criteria

Tax Year: 2024

Tax Authority: CITY OF SWANVILLE

(Herein called the "TAXING DISTRICT")

I hereby certify that the TAXING DISTRICT is situated partly in this county and that:

1. **CURRENT VALUATION** - The taxable market values and net tax capacities of all taxable properties in the TAXING DISTRICT in this county as assessed in 2023 for the purpose of computing the rates of taxes collectible in 2024 are as follows:

Property Type	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Real Estate:			
Residential Homestead (Class 1a, 1b)			124,907
Agricultural (Class 2 and 4b(3))			884
Commercial & Industrial (Class 3, 5(1) & 5(3))			
Public Utility			0
Railroad Operating Property			0
All Other Commercial/Industrial			92,587
Residential Non-Homestead (Class 4a, 4b(1-2), 4bb, 4c(1-4), (7-8), 4d & 4e)			45,868
Seasonal Recreational-Residential (Class 1c, 4c(1), 4(5-6))			1,260
Other (Class 5(2))			
Total Real Estate	24,818,100	22,324,800	265,506
Total Personal Property	664,600	664,600	13,292
Total Real & Personal Property	25,482,700	22,989,400	278,798
Subtract: Tax Increment Captured Tax Capacity			20,956
10% of Tax Capacity of 2000KV Powerlines built after 7/1/74			0
Fiscal Disparity Contribution Value			0
Local Tax Rate Determination Value			257,842
Add: Fiscal Disparity Distribution Value			
Total Adjusted Taxable Value			257,842

2. VALUATION HISTORY (Real & Personal Property)

Pay Year	Estimated Market Value	Taxable Market Value	Net Tax Capacity	TIF Captured	10% Pwr-Lines	Fiscal Disparity Contr.	Net Tax Capacity	Fiscal Disparity Distr.	Adjusted Tax Capacity
2023	22,097,100	19,471,400	238,017	18,674	0	0	219,343	0	219,343
2022	19,799,600	17,214,500	213,517	15,667	0	0	197,850	0	197,850
2021	18,326,600	15,832,200	198,159	8,993	0	0	189,166	0	189,166
2020	17,708,500	15,066,400	189,352	6,294	0	0	183,058	0	183,058
2019	16,450,600	13,834,800	174,877	2,503	0	0	172,374	0	172,374
2018	16,133,400	13,537,100	171,418	0	0	0	171,418	0	171,418

3. TOP 10 TAXPAYERS

Taxpayer	Classification	EMV	TMV	TAX	NTC
JENNIE-O TURKEY STORE INC	3A-Commercial/Industrial/Public Utility	1,368,100	1,368,100	42,869	26,612
MINNESOTA POWER & LIGHT CO	3A-Commercial/Industrial/Public Utility	460,900	460,900	15,050	9,218
CSNP SWANVILLE LLC	4A-Rental/Residential Non-Homestead 4 or More	659,700	659,700	11,558	8,246
ROTOMOLDING ENTERPRISE HOLDINGS INC	3A-Commercial/Industrial/Public Utility	446,000	446,000	12,756	8,170
LANGE SANDRA M	3A-Commercial/Industrial/Public Utility	586,900	577,700	11,242	7,603
LUCKY'S SALOON OPERATING LLC	3A-Commercial/Industrial/Public Utility	374,300	374,300	10,416	6,736
LOVEN ROYAL DEAN	3A-Commercial/Industrial/Public Utility	462,500	441,400	9,769	6,498
SCHMIDT RONALD S & REBECCA	3A-Commercial/Industrial/Public Utility	316,400	316,400	8,194	5,403
FIRST STATE BANK OF SWANVILLE	3A-Commercial/Industrial/Public Utility	301,700	301,700	8,045	5,284
UPSALA SWANVILLE APARTMENTS LLC	4D-Qual. Low Income-Land/Bldg	536,500	536,500	7,026	4,936

4. TAXING AUTHORITY AND RATE HISTORY

The TAXING DISTRICT has the power to tax property situated in the following County or Counties: MORRISON COUNTY, TODD

The following governmental units within this county also have the power to levy taxes in the TAXING DISTRICT:

Governmental Unit	Tax Rate History (Levy Year / Collection Year)									
	2019 / 20		2020 / 21		2021 / 22		2022 / 23		2023 / 24	
	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val
**** COUNTY **** MORRISON COUNTY	54.2076%		53.4646%		51.6549%		47.4236%		42.1105%	
**** SCHOOL **** SD 0486 SWANVILLE	27.5971%	0.24756%	25.5691%	0.22874%	23.5701%	0.23637%	20.8237%	0.28714%	24.5722%	0.20564%
**** CITY **** CITY OF SWANVILLE	52.5609%		65.6511%		67.6281%		65.2904%		56.6044%	
**** SPECIAL **** HRA-MORRISON COUNTY	0.1136%		0.1094%		0.1035%		0.0897%		0.1341%	
REGION 5 DEV COMM	0.1291%		0.1274%		0.1233%		0.1087%		0.0837%	
RURAL DEV FIN AUTH	0.2555%		0.2461%		0.2459%		0.2130%		0.1916%	

**5. BONDED
INDEBTEDNESS**

The TAXING DISTRICT and all the governmental units listed in section 4 having bonded debt, have such debt as shown below. Values shown are Adjusted Taxable net tax capacities which have been adjusted for Fiscal Disparity Contribution and Distribution, Tax Increment Captured Tax Capacity, and Powerlines.

Governmental Unit	Taxable Net Tax Capacity of ENTIRE Govt Unit in County	Taxable Net Tax Cap. of Portion in TAXING DIST. in County	Bonded Debt as of 12/31/23	2023 / 24 Debt Service Tax Rate
**** CITY **** CITY OF SWANVILLE	261,584	257,842	1,631,000	13.406%
**** COUNTY **** MORRISON COUNTY	52,197,030	257,842	12,900,000	1.544%
**** SCHOOL **** SD 0486 SWANVILLE	3,825,659	257,842	7,070,000	15.355%

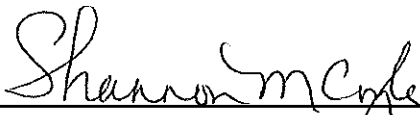
6. TAX LEVIES AND COLLECTIONS FOR YEAR: 2024

Levy/Col Year	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
Gross Tax Levy	96,217.02	124,189.48	133,802.23	143,209.62	145,949.70
Fiscal					
Market Values Levy					
Property Credits/Aids					
Net Tax Levy	96,217.02	124,189.48	133,802.23	143,209.62	145,949.70
Adjustments During Coll Year	-593.93	774.68			
Adjusted Tax Levy	95,623.09	124,964.16	133,802.23	143,209.62	
Current Year Collections	-90,199.60	-117,553.15	-125,479.33	-131,362.20	
Year End Delinquency	5,423.49	7,411.01	8,322.90	11,847.42	
Delinquent Adjustments as of 12/31/2023					
Delinquent Collections as of 12/31/2023	-5,423.49	-7,333.55	-3,778.32		
Amount Delinquent as of 12/31/2023		77.46	4,544.58	11,847.42	

Please list below the name, title, and telephone number of a person(s) to contact regarding the completed certificate in case there are any questions.

Contact Person:	Shannon Coyh
Telephone:	320-632-0153

WITNESS My hand and official seal this 10th day of June, 2024.



MORRISON COUNTY AUDITOR-TREASURER

County of TODD COUNTY

Township 40 SWANVILLE

Current Valuation 2023/2024

	Estimated Market Value	Taxable Market Value	Tax Capacity
Real Estate:			
Residential Homestead (Non-Agricultural) (Class 1a & 1b)		337,947	3,379
Agricultural (Class 2 & 4b(3))		0	0
Commercial & Industrial (Class 3, 5(1), & 5(3)) (zoned Comm/Industrial/Public Utility)			
Commercial/Industrial		0	0
Public Utility		0	0
Railroad Operating Property		0	0
Residential Non-Homestead (Class 4a, 4b (1-2), 4c (1-4) (7-8), 4d & 4c)		0	0
Seasonal/Recreational Comm & Residential (Class 1c & 4c (5-6))		33,300	333
Other		0	0
Total Real Estate	377,500	371,247	3,712
Total Personal Property	1,500	1,500	30
Total Real Estate & Personal Property	379,000	372,747	3,742
Total Residential Homestead Market Exclusion Value		6,253	
If Applicable To The Taxing District			
Subtract: Captured Tax Capacity Of Tax Incement District			(0)
Job Zone Tax Capacity			(0)
10% of 200 kV Transmission Lines			(0)
Total Adjusted Taxable Net Tax Capacity			3,742

County of TODD COUNTY

Township 40 SWANVILLE

Valuation History (Real & Personal Property)

Assessment/ Payable Year	Estimated Market Value	Taxable Market Value	Mkt Value Homestead Exclusion Values	Less Tax Increment/ Fiscal Disparities/ Transmission Lines	Net Tax Capacity
2023/2024	379,000	372,747	6,253	(0)	3,742
2022/2023	406,400	396,718	9,682	(0)	3,984
2021/2022	270,600	252,116	18,484	(0)	2,540
2020/2021	252,900	233,615	19,285	(0)	2,354
2019/2020	228,300	206,963	21,337	(0)	2,070
2018/2019	226,800	205,337	21,463	(0)	2,053
2017/2018	198,700	175,077	23,623	(0)	1,751

Twenty-five Largest Taxpayers

Taxpayer	ASMT Code Description	Taxable Market Value	Tax Capacity
ZAPZALKA/BRIAN/& CINDY A HEDIN	RESIDENTIAL\SINGLE UNIT	337,947	3,379
WIPF/JERRY	SEASONAL REC RESIDENTIAL	33,300	333
GREATER MINNESOTA GAS INC	SYST OF GAS UTILITIES	1,500	30

County Employees	Full Time	Part Time	Seasonal	Total
	228	26	5	259

County of TODD COUNTY

Township **40 SWANVILLE**

If the County has plans for additional financing within the next three months, please complete:

Amount: Purpose:

Have the bonds authorized? When:

Taxing Authority and Local Tax Rate History

Local Tax Rate History
(Levy Year/Collection Year)

Governmental Unit	2019/20	2020/21	2021/22	2022/23	2023/24
COUNTY	66.56400	63.48800	63.30400	51.58700	45.07800
COUNTY WIDE	.12600	.12500	.12700	.10300	.08300
SWANVILLE	52.56100	65.65200	67.62800	65.29000	56.60400
SWANVILLE	27.59700	25.57000	23.57000	20.82400	24.57200
SWANVILLE	.24756	.22874	.23637	.28714	.20564

County of TODD COUNTY

Township **40 SWANVILLE**

Bonded Indebtedness 2023/2024

Gov. Unit Name	**** T A X C A P A C I T Y O F ****			Bonded Debt as of 12/31/23
	Entire Gov.Unit	TODD COUNTY	SWANVILLE	
COUNTY	39,778,105	39,778,105	3,742	0
SWANVILLE	3,742	3,742	3,742	0
SWANVILLE	2,209,850	2,209,850	3,742	0
Debt Serv \$ For Cnty		.00		
Sinking \$ For Spc. Dist		.00		

Township **40 SWANVILLE****Tax Levies and Collections**

Levy Year/ Collection Year	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024
Original Gross Tax	1,088.01	1,545.44	1,717.75	2,601.16	2,118.12
Prop Tax Credits	.00	.00	.00	.00	.00
Levy Adjustmnts	.00	.00	.00	.00	.00
Net Tax Levy	1,088.01	1,545.44	1,717.75	2,601.16	2,118.12
Amount Collected in Collection Year	1,088.01	1,545.44	1,717.75	2,385.71	N/A
Amt Dlq at End of Collection Year	.00	.00	.00	215.45	N/A
Dlq Collected as of 12/31/23	.00	.00	.00	.00	N/A
Dlq Abt/cancelled as of 12/31/23	.00	.00	.00	.00	N/A
Tot Dlq Outstanding as of 12/31/23	.00	.00	.00	215.45	N/A

Township

40 SWANVILLE

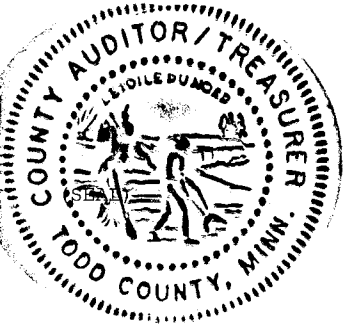
Please list the name, title, and telephone number of a person(s) to contact regarding the completed certificate in case there are any questions

Contact Person	KAYLA DOBLE-MARTY
Telephone	320-732-4467
E-mail address	KAYLA.DOUBLE-MARTY@CO.TODD.MN.US
Preferred method to receive certificate (i.e.: mail or email) or, please indicate if your county prefers to use a separate form.	EMAIL

Witness My hand and official seal this 20th day of June, 2024

Denise Laidia KD

County Auditor-Treasurer



FRYBERGER

— LAW FIRM —

August 13, 2024

City of Swanville
305 DeGraff Avenue
P.O. Box 276
Swanville, MN 56382

D.A. Davidson & Co.
3140 Harbor Lane, Suite 125
Plymouth, MN 55447

Re: *City of Swanville, Minnesota*
\$2,150,000 General Obligation Utility Revenue Bonds, Series 2024A

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Swanville, Morrison County, Minnesota (the “Issuer”), of the above-referenced bonds dated the date hereof (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Chapters 444 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on July 16, 2024, authorizing the issuance and delivery of the Bonds (the “Resolution”);
2. the Officers’ Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the “Tax Certificate”);
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the

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FRYBERGER LAW FIRM

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issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors’ or secured creditors’ rights or laws relating to creditors’ or secured creditors’ rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

FRYBERGER LAW FIRM

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5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

LIMITED CONTINUING DISCLOSURE CERTIFICATE

This Limited Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Swanville, Minnesota (the “Issuer”) in connection with the issuance of the \$2,150,000 General Obligation Utility Revenue Bonds, Series 2024A, dated August 13, 2024 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated July 16, 2024 (the “Resolution”). The Issuer certifies (i) that it is the only obligated person with respect to the Obligations; and (ii) that on the date hereof, the Issuer is an obligated person with respect to less than \$10,000,000 aggregate amount of outstanding municipal securities, including the Obligations, and thus limited continuing disclosure pursuant to subparagraph (d)(2) of the Rule is required. The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to

which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Official Statement, dated _____, 2024, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer’s financial information or operating data shall contain or consist of the Audited Financial Statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
 - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of August 13, 2024.

CITY OF SWANVILLE, MINNESOTA

By _____
Mayor

By _____
Clerk-Treasurer

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Appendix D Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased

to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits **(Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.
12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

Levies for General Obligation Debt

(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution

(Chapter 473F, Minnesota Statutes) (*"Fiscal Disparities Law"*)

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

Minnesota Property Class Rate Schedule

(current through taxes payable 2022)

Property Type	Taxes Payable Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential Homestead (1a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)					
Low-Income (4d)	1.25%	1.25%	1.25%	1.25%	1.25%
Up to \$115, 000 ⁴	0.75%	0.75%	0.75%	0.75%	0.75%
Over \$115, 000 ⁴	0.25%	0.25%	0.25%	0.25%	0.25%
Commercial/Industrial/Public Utility (3a)					
Up to \$150,000	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹
Over \$150,000	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to \$600,000	0.50%	0.50%	0.50%	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$2,300,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Seasonal Resorts (4c)					
Up to \$500,000	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹
Over \$500,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Non-Commercial (4c12)					
Up to \$500,000	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}
Over \$500,000	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}
Disabled Homestead (1b)					
Up to \$50,000	0.45%	0.45%	0.45%	0.45%	0.45%
Agricultural Land & Buildings					
Homestead (2a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to \$2,050,000 ⁴	0.50% ²	0.50% ²	0.50% ²	0.50% ²	0.50% ²
Over \$2,050,000 ⁴	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²
Non-homestead (2b)					
	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²

¹ Subject to the State General Property Tax.

² Exempt from referendum market value tax.

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

APPENDIX E
FINANCIAL STATEMENT

The City's financial statements are audited annually. The following pages contain a copy of the 2023 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

Schlenner Wenner & Co. CPAs, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Schlenner Wenner & Co. CPAs also has not performed any procedures relating to this offering document.

City of Swanville, Minnesota

Audited Financial Statements

For The Year Ended December 31, 2023

**SCHLENNER
WENNER & CO.**
CPAs

**CITY OF SWANVILLE, MINNESOTA
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**INTRODUCTORY
SECTION**

**CITY OF SWANVILLE, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CITY COUNCIL

Term Expires

Sandra Lange	Mayor	December 31, 2024
Norman Carlson	Council Member	December 31, 2024
John Dragseth	Council Member	December 31, 2024
Tony Maciej	Council Member	December 31, 2026
Jim Molitor	Council Member	December 31, 2026

CITY OFFICIALS

Julie Hollermann	Clerk/Treasurer
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**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Swanville, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Swanville, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension schedules 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 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 Swanville, Minnesota's basic financial statements. The combining nonmajor governmental funds financial statements, schedule of indebtedness, and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of indebtedness and introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024 on our consideration of the City of Swanville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Swanville’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 27, 2024

BASIC FINANCIAL STATEMENTS

CITY OF SWANVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 126,340	\$ 402,537	\$ 528,877
Property Taxes Receivable	17,855	-	17,855
Assessments Receivable	9,143	7,231	16,374
Accounts Receivable	400	26,206	26,606
Internal Balances	237,000	(237,000)	-
Noncurrent Assets:			
Assessments Receivable	53,017	81,203	134,220
Capital Assets Not Being Depreciated	139,995	95,618	235,613
Capital Assets Being Depreciated (Net)	704,776	1,228,017	1,932,793
TOTAL ASSETS	1,288,526	1,603,812	2,892,338
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	8,491	4,862	13,353
LIABILITIES			
Accounts Payable	17,862	7,645	25,507
Accrued Interest Payable	3,114	10,937	14,051
Unearned Revenue	7,500	-	7,500
Noncurrent Liabilities:			
Debt Due Within One Year	64,000	29,000	93,000
Debt Due After One Year	307,000	1,231,000	1,538,000
Net Pension Liability	28,441	16,294	44,735
TOTAL LIABILITIES	427,917	1,294,876	1,722,793
DEFERRED INFLOWS OF RESOURCES			
Pensions	11,719	6,714	18,433
NET POSITION			
Net Investment in Capital Assets	473,771	63,635	537,406
Restricted	203,475	-	203,475
Unrestricted	180,135	243,449	423,584
TOTAL NET POSITION	\$ 857,381	\$ 307,084	\$ 1,164,465

**CITY OF SWANVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 95,029	\$ 3,930	\$ 3	\$ -	\$ (91,096)	\$ -	\$ (91,096)
Public Safety	32,196	280	41,397	-	9,481	-	9,481
Public Works	159,747	-	-	2,976	(156,771)	-	(156,771)
Parks and Recreation	42,512	8,350	11,500	30,000	7,338	-	7,338
Economic Development	12,585	-	8,796	-	(3,789)	-	(3,789)
Cemetery	5,658	1,200	-	-	(4,458)	-	(4,458)
Debt Service	8,562	-	-	-	(8,562)	-	(8,562)
Total Governmental Activities	356,289	13,760	61,696	32,976	(247,857)	-	(247,857)
Business-Type Activities:							
Water	114,179	81,749	-	2,908	-	(29,522)	(29,522)
Sewer	59,789	67,241	-	-	-	7,452	7,452
Refuse & Recycling	39,792	34,737	2,422	-	-	(2,633)	(2,633)
Total Business-Type Activities	213,760	183,727	2,422	2,908	-	(24,703)	(24,703)
TOTALS	\$ 570,049	\$ 197,487	\$ 64,118	\$ 35,884	(247,857)	(24,703)	(272,560)
General Revenues:							
Property Taxes					147,451	-	147,451
Tax Increment					24,924	-	24,924
Intergovernmental					95,322	-	95,322
Investment Earnings					393	-	393
Miscellaneous					6,008	2	6,010
Total General Revenues					274,098	2	274,100
Transfers					22,410	(22,410)	-
Total General Revenues and Transfers					296,508	(22,408)	274,100
CHANGE IN NET POSITION					48,651	(47,111)	1,540
NET POSITION - BEGINNING OF YEAR					808,730	354,195	1,162,925
NET POSITION - END OF YEAR					\$ 857,381	\$ 307,084	\$ 1,164,465

**CITY OF SWANVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General Fund	Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
		G.O. Note (PFA-2009) Fund	TIF District 1- 7 Fund		
ASSETS					
Cash and Cash Equivalents	\$ 93,070	\$ -	\$ -	\$ 33,270	\$ 126,340
Property Taxes Receivable	13,517	1,237	3,101	-	17,855
Assessments Receivable	-	62,160	-	-	62,160
Accounts Receivable	400	-	-	-	400
Due from Other Funds	164,042	-	-	-	164,042
Advances to Other Funds	-	237,000	-	-	237,000
TOTAL ASSETS	<u>\$ 271,029</u>	<u>\$ 300,397</u>	<u>\$ 3,101</u>	<u>\$ 33,270</u>	<u>\$ 607,797</u>
LIABILITIES					
Accounts Payable	\$ 6,396	\$ -	\$ 1,500	\$ 9,966	\$ 17,862
Due to Other Funds	-	63,775	38,856	61,411	164,042
Unearned Revenue	-	-	-	7,500	7,500
Total Liabilities	6,396	63,775	40,356	78,877	189,404
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	12,462	1,143	2,865	-	16,470
Special Assessments	-	62,160	-	-	62,160
Total Deferred Inflows of Resources	12,462	63,303	2,865	-	78,630
FUND BALANCES					
Nonspendable	-	237,000	-	-	237,000
Restricted	-	-	-	33,270	33,270
Assigned	76,789	-	-	-	76,789
Unassigned	175,382	(63,681)	(40,120)	(78,877)	(7,296)
Total Fund Balances	<u>252,171</u>	<u>173,319</u>	<u>(40,120)</u>	<u>(45,607)</u>	<u>339,763</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
	<u>\$ 271,029</u>	<u>\$ 300,397</u>	<u>\$ 3,101</u>	<u>\$ 33,270</u>	<u>\$ 607,797</u>

**CITY OF SWANVILLE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds \$ 339,763

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 the governmental funds:

Capital Assets	\$ 2,257,170	
Accumulated Depreciation	<u>(1,412,399)</u>	
Capital Assets (Net)		844,771

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds Balance Sheet:

Notes Principal Payable		(371,000)
-------------------------	--	-----------

The net pension liability and related deferred outflows/inflows represent the allocation of pension obligations to the City. Such balances are not reported in the governmental funds:

Net Pension Liability	(28,441)	
Deferred Outflows - Pensions	8,491	
Deferred Inflows - Pensions	<u>(11,719)</u>	
		(31,669)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

		(3,114)
--	--	---------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds:

Property Taxes Receivable	16,470	
Special Assessments Receivable	<u>62,160</u>	
		<u>78,630</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 857,381

CITY OF SWANVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service		Total Nonmajor Governmental	Total Governmental Funds
		G.O. Note (PFA-2009) Fund	TIF District 1- 7 Fund		
REVENUES					
Property Taxes	\$ 107,137	\$ 9,595	\$ 23,444	\$ -	\$ 140,176
Tax Increment	-	-	24,924	-	24,924
Special Assessments	-	12,677	-	-	12,677
Licenses, Permits, and Fees	3,130	-	-	-	3,130
Intergovernmental	136,719	-	-	8,796	145,515
Charges for Services	2,000	-	-	8,350	10,350
Fines	280	-	-	-	280
Investment Earnings	393	-	-	-	393
Miscellaneous	17,508	-	-	30,000	47,508
TOTAL REVENUES	<u>267,167</u>	<u>22,272</u>	<u>48,368</u>	<u>47,146</u>	<u>384,953</u>
EXPENDITURES					
Current:					
General Government	91,384	-	-	-	91,384
Public Safety	32,196	-	-	-	32,196
Public Works	80,740	-	-	8,000	88,740
Parks and Recreation	10,886	-	-	22,129	33,015
Economic Development	-	-	1,719	10,866	12,585
Cemetery	5,502	-	-	-	5,502
Capital Outlay	8,637	-	-	-	8,637
Debt Service:					
Principal	-	34,000	28,000	-	62,000
Interest and Other Charges	-	3,860	5,239	-	9,099
TOTAL EXPENDITURES	<u>229,345</u>	<u>37,860</u>	<u>34,958</u>	<u>40,995</u>	<u>343,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	37,822	(15,588)	13,410	6,151	41,795
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	22,410	-	22,410
NET CHANGE IN FUND BALANCES					
	37,822	(15,588)	35,820	6,151	64,205
FUND BALANCES - BEGINNING	<u>214,349</u>	<u>188,907</u>	<u>(75,940)</u>	<u>(51,758)</u>	<u>275,558</u>
FUND BALANCES - ENDING	<u>\$ 252,171</u>	<u>\$ 173,319</u>	<u>\$ (40,120)</u>	<u>\$ (45,607)</u>	<u>\$ 339,763</u>

**CITY OF SWANVILLE, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 64,205

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

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:

Depreciation Expense (74,305)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Note Principal Repayments 62,000

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

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Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes Receivable	\$ 7,275	
Special Assessments Receivable	<u>(9,701)</u>	(2,426)

Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources (1,360)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 48,651

CITY OF SWANVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water Fund	Sewer Fund	Refuse & Recycling Fund	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 135,377	\$ 256,814	\$ 10,346	\$ 402,537
Assessments Receivable	7,231	-	-	7,231
Accounts Receivable	11,084	11,226	3,896	26,206
Total Current Assets	153,692	268,040	14,242	435,974
Noncurrent Assets				
Assessments Receivable	81,203	-	-	81,203
Capital Assets Not Being Depreciated	95,618	-	-	95,618
Capital Assets Being Depreciated (Net)	1,228,016	1	-	1,228,017
Total Noncurrent Assets	1,404,837	1	-	1,404,838
TOTAL ASSETS	1,558,529	268,041	14,242	1,840,812
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	2,431	2,431	-	4,862
LIABILITIES				
Current Liabilities				
Accounts Payable	1,742	2,293	3,610	7,645
Accrued Interest	10,937	-	-	10,937
Debt Due Within One Year	29,000	-	-	29,000
Total Current Liabilities	41,679	2,293	3,610	47,582
Noncurrent Liabilities				
Advances from Other Funds	237,000	-	-	237,000
Debt Due After One Year	1,231,000	-	-	1,231,000
Net Pension Liability	8,147	8,147	-	16,294
Total Noncurrent Liabilities	1,476,147	8,147	-	1,484,294
TOTAL LIABILITIES	1,517,826	10,440	3,610	1,531,876
DEFERRED INFLOWS OF RESOURCES				
Pensions	3,357	3,357	-	6,714
NET POSITION				
Net Investment in Capital Assets	63,634	1	-	63,635
Unrestricted	(23,857)	256,674	10,632	243,449
TOTAL NET POSITION	\$ 39,777	\$ 256,675	\$ 10,632	\$ 307,084

CITY OF SWANVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Refuse & Recycling Fund	Totals
OPERATING REVENUES				
Charges for Services	\$ 81,749	\$ 67,241	\$ 34,737	\$ 183,727
OPERATING EXPENSES				
Wages and Benefits	17,769	17,769	-	35,538
Materials and Supplies	997	11,335	-	12,332
Repairs and Maintenance	201	2,533	-	2,734
Professional Services	-	10,485	-	10,485
Utilities	6,332	10,405	39,792	56,529
Miscellaneous	3,275	4,519	-	7,794
Depreciation	42,147	2,743	-	44,890
TOTAL OPERATING EXPENSES	<u>70,721</u>	<u>59,789</u>	<u>39,792</u>	<u>170,302</u>
NET OPERATING INCOME (LOSS)	11,028	7,452	(5,055)	13,425
NONOPERATING INCOME (EXPENSE)				
Special Assessments	2,908	-	-	2,908
Intergovernmental	-	-	2,422	2,422
Miscellaneous	1	1	-	2
Interest and Other Charges	(43,458)	-	-	(43,458)
NET NONOPERATING INCOME (EXPENSE)	<u>(40,549)</u>	<u>1</u>	<u>2,422</u>	<u>(38,126)</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	(29,521)	7,453	(2,633)	(24,701)
TRANSFERS				
Operating Transfers Out	(22,410)	-	-	(22,410)
CHANGE IN NET POSITION	(51,931)	7,453	(2,633)	(47,111)
NET POSITION - BEGINNING OF YEAR	<u>91,708</u>	<u>249,222</u>	<u>13,265</u>	<u>354,195</u>
NET POSITION - END OF YEAR	<u>\$ 39,777</u>	<u>\$ 256,675</u>	<u>\$ 10,632</u>	<u>\$ 307,084</u>

**CITY OF SWANVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sewer Fund	Refuse & Recycling Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 81,065	\$ 67,105	\$ 36,225	\$ 184,395
Cash Paid to Suppliers	(343,877)	(39,910)	(39,777)	(423,564)
Cash Paid to Employees	(17,355)	(17,355)	-	(34,710)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(280,167)	9,840	(3,552)	(273,879)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes and Intergovernmental	1,993	-	2,422	4,415
Other Receipts from Customers	1	1	-	2
Net Operating Subsidies and Transfers from (to) Other Funds	(22,410)	-	-	(22,410)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(20,416)	1	2,422	(17,993)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Special Assessments	9,873	-	-	9,873
Purchases of Capital Assets	(95,618)	-	-	(95,618)
Proceeds from Debt Issuance	563,000	-	-	563,000
Debt Issuance Costs	(14,840)	-	-	(14,840)
Payments on Debt Principal	(28,000)	-	-	(28,000)
Cash Paid for Interest	(22,224)	-	-	(22,224)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	412,191	-	-	412,191
Net Change in Cash and Cash Equivalents	111,608	9,841	(1,130)	120,319
Cash and Cash Equivalents - Beginning of Year	23,769	246,973	11,476	282,218
Cash and Cash Equivalents - End of Year	<u>\$ 135,377</u>	<u>\$ 256,814</u>	<u>\$ 10,346</u>	<u>\$ 402,537</u>

CITY OF SWANVILLE, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Refuse & Recycling Fund	Totals
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ 11,028	\$ 7,452	\$ (5,055)	\$ 13,425
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	42,147	2,743	-	44,890
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(684)	(136)	1,488	668
Accounts Payable	(333,072)	(633)	15	(333,690)
Net Pension Liability	(3,372)	(3,372)	-	(6,744)
Deferred Outflows of Resources - Pensions	1,546	1,546	-	3,092
Deferred Inflows of Resources - Pensions	2,240	2,240	-	4,480
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (280,167)</u>	<u>\$ 9,840</u>	<u>\$ (3,552)</u>	<u>\$ (273,879)</u>

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Swanville, Minnesota (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and a four-member council. The City provides the following services: water, sewer, sanitation, recreation, public improvements, public safety, cemetery, economic development, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Swanville, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City does not have any blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City does not have any discretely presented component units.

Related Organizations

The Swanville Fire Relief Association (the Association) is organized as a non-profit organization, legally separate from the City, to provide pension and other benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the Association and not by the City Council, and the Association issues its own set of financial statements. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which, the City has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those legally or administratively required to be accounted for in other funds.

The *G.O. Note (PFA-2009) Fund* is a debt service fund used to account for the accumulation of financial resources for the payment of interest and principal on the City's 2009 PFA debt. Tax levies and special assessments are used for the payment of principal and interest on the City's judgment.

The *TIF District 1-7 Fund* is a debt service fund that accounts for the receipt of tax increment financing dollars and the use of such dollars for pay-as-you-go debt or eligible administrative costs incurred by the City.

The City reports the following major proprietary funds:

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains Water, Sewer, and Refuse and Recycling Proprietary Funds.

The City reports the following nonmajor governmental funds and fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose. The City reports Small Cities Development Grant and Park special revenue funds.

The *North Berkey 1st Addition Fund* is a capital project fund used to account for financial resources related to the construction of the North Berkey 1st Addition project.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below. In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the *accrual* basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows/outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The appropriated budget is prepared by fund, function, and department. The City of Swanville’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.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, deferred outflows, liabilities, and deferred inflows, and disclosure of contingencies at the date of the financial statements. Estimates also affect reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY

Cash and Cash Equivalents

For purposes of the Statements of Net Position and proprietary funds Statement of Cash Flows, “cash and cash equivalents” includes all demand accounts and certificates of deposit for the City. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair value.

See Note 2.A. for additional information related to Cash and Cash Equivalents.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.D. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include taxes and special assessments. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City as assets with an initial cost of more than \$10,000 and an estimated useful life in excess of one year.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)

The range of estimated useful lives by type of asset is as follows:

Land Improvements	15 years
Infrastructure	25 years
Distribution System and Buildings	10-40 years
Machinery and Equipment	8 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Accounts Payable

Payables in the governmental and proprietary funds are composed almost entirely of payables to vendors.

Compensated Absences

It is the City's policy to not allow employees to accumulate unused vacation and sick leave. However, a liability for these amounts is reported in the funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would be used to liquidate the compensated absences.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the corresponding assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation notes.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Pension Liability

The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Association (PERA).

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)

PERA

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports taxes and special assessments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension fund plans in which City employees participate.

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City's policy to consider restricted net position to its depletion before unrestricted net position is applied.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balance at December 31, 2023 consists of an advance made to another fund.

Restricted – That portion of fund balance which is not available for appropriation, or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution. The City had no committed fund balances at December 31, 2023.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The Clerk/Treasurer or his/her designee shall have the authority to assign fund balance.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City has not adopted a policy regarding a minimum unassigned General Fund balance.

See Note 2.E. for additional disclosures.

Proprietary Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements, as described on the previous page.

1.G. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Morrison and Todd Counties are the collecting agencies for the levy and remit the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 31st is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15th and the balance by October 15th. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

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

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. REVENUES, EXPENDITURES AND EXPENSES (Continued)

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the governmental fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31st (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information related to transfers at Note 2.D.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At December 31, 2023, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

The following is a summary of total cash and cash equivalents:

Cash in Checking Account	\$	486,541
Certificates of Deposit		<u>42,336</u>
 Total Cash and Cash Equivalents	 \$	 <u>528,877</u>

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	<u>Balance at</u> 01/01/23	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance at</u> 12/31/23
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 139,995	\$ -	\$ -	\$ -	\$ 139,995
Capital Assets Being Depreciated					
Land Improvements	254,187	-	-		254,187
Infrastructure Assets	952,414	-	-	-	952,414
Buildings	585,468	-	-	-	585,468
Furniture and Equipment	<u>325,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,106</u>
Total Capital Assets Being Depreciated	2,117,175	-	-	-	2,117,175
Less: Accumulated Depreciation					
Land Improvements	(185,223)	(11,106)	-	-	(196,329)
Infrastructure Assets	(439,771)	(38,755)	-	-	(478,526)
Buildings	(436,279)	(12,993)	-	-	(449,272)
Furniture and Equipment	<u>(276,821)</u>	<u>(11,451)</u>	<u>-</u>	<u>-</u>	<u>(288,272)</u>
Total Accumulated Depreciation	<u>(1,338,094)</u>	<u>(74,305)</u>	<u>-</u>	<u>-</u>	<u>(1,412,399)</u>
Total Capital Assets Being Depreciated, Net	<u>779,081</u>	<u>(74,305)</u>	<u>-</u>	<u>-</u>	<u>704,776</u>
Capital Assets, Net	<u>\$ 919,076</u>	<u>\$ (74,305)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,771</u>

Depreciation expense is charged to governmental activities of the City as follows:

General Government	\$ 3,063
Public Works	61,901
Parks and Recreation	<u>9,341</u>
Total Depreciation Expense	<u>\$ 74,305</u>

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

	Balance at 01/01/23	Additions	Disposals	Transfers	Balance at 12/31/23
Business-Type Activities:					
Capital Assets not Being Depreciated					
Construction In Progress	\$ -	\$ 95,618	\$ -	\$ -	\$ 95,618
Capital Assets Being Depreciated					
Land Improvements	1,291	-	-	-	1,291
Distribution System and Lift Stations	1,639,279	-	-	-	1,639,279
Building	172,583	-	-	-	172,583
Equipment	33,327	-	-	-	33,327
Total Capital Assets Being Depreciated	1,846,480	-	-	-	1,846,480
Less: Accumulated Depreciation					
Land Improvements	(1,291)	-	-	-	(1,291)
Distribution System and Lift Stations	(377,864)	(40,982)	-	-	(418,846)
Building	(164,653)	(3,158)	-	-	(167,811)
Equipment	(29,765)	(750)	-	-	(30,515)
Total Accumulated Depreciation	(573,573)	(44,890)	-	-	(618,463)
Total Capital Assets Being Depreciated, Net	1,272,907	(44,890)	-	-	1,228,017
Capital Assets, Net	\$ 1,272,907	\$ 50,728	\$ -	\$ -	\$ 1,323,635

2.C. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All notes set forth below are direct obligations of the City and pledge the full faith and credit of the City.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Debt Detail

As of December 31, 2023, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

General Obligation Notes					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/09	\$ 647,312	\$27,312 - \$37,000	1.544%	08/29	\$ 216,000
06/17	\$ 270,000	\$17,000 - \$33,000	3.100%	02/28	155,000
					371,000

Business-Type Activities

General Obligation Notes					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
08/13	\$ 953,866	\$19,866 - \$41,000	1.880%	08/43	\$ 697,000
03/23	\$ 563,000	\$563,000	3.500%	03/26	563,000
					\$ 1,260,000

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding the net pension liability, for the year ended December 31, 2023:

Type of Debt	Balance 01/01/23	Additions	Deductions	Balance 12/31/23	Amounts Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Notes	\$ 433,000	\$ -	\$ (62,000)	\$ 371,000	\$ 64,000
<i>Business-Type Activities:</i>					
General Obligation Notes	\$ 725,000	\$ 563,000	\$ (28,000)	\$ 1,260,000	\$ 29,000

Governmental activity debt is typically funded through the Debt Service Funds, while business-type activity debt is funded through the Water Fund.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2023, the estimated annual debt service requirements to maturity, including principal and interest, and excluding net pension liability, are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 64,000	\$ 7,691	\$ 71,691
2025	65,000	6,236	71,236
2026	67,000	4,750	71,750
2027	68,000	3,217	71,217
2028	70,000	1,654	71,654
2029	37,000	571	37,571
Totals	<u>\$ 371,000</u>	<u>\$ 24,119</u>	<u>\$ 395,119</u>

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 29,000	\$ 32,810	\$ 61,810
2025	30,000	32,264	62,264
2026	593,000	21,847	614,847
2027	31,000	11,430	42,430
2028	31,000	10,848	41,848
2029-2033	165,000	45,233	210,233
2034-2038	182,000	29,102	211,102
2039-2043	199,000	11,375	210,375
Totals	<u>\$ 1,260,000</u>	<u>\$ 194,909</u>	<u>\$ 1,454,909</u>

Interest expense totals \$52,020 in the Statement of Activities (included in Debt Service and Water lines). Interest expenditures total \$9,099 for the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$43,458 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2023:

Major Fund:	Transfers Out	Transfers In
		Major Fund TIF District 1-7 Fund
Water Fund	\$ 22,410	\$ 22,410

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. INTERFUND TRANSACTIONS AND BALANCES (Continued)

The interfund balances are as follows:

Long-Term Advances		Amount	Reason
Advances Due To	Advances Due From		
G.O. Note (PFA-2009)	Water	\$ 237,000	Improvement Debt
Short-Term Balances			
Due To Fund	Due From Fund		
General	G.O. Note (PFA-2009)	63,775	Eliminate negative cash
General	TIF District 1-7	38,856	Eliminate negative cash
General	Nonmajor Governmental Funds	61,411	Eliminate negative cash
Total Interfund Balances		401,042	
Governmental Fund Elimination		(164,042)	
Total Interfund Balances, After Governmental and Business-Type Fund Eliminations		\$ 237,000	

The interfund advance listed above (\$237,000) is anticipated to be paid following a set payment schedule. Remaining interfund balances are to be repaid as cash flows become available.

2.E. FUND EQUITY

At December 31, 2023, governmental fund equity consists of the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Assigned from Lion's Club	\$ -	\$ -	\$ 70,070	\$ -
Assigned for Cemetery	-	-	6,719	-
Unassigned	-	-	-	175,382
Total General Fund Balance	\$ -	\$ -	\$ 76,789	\$ 175,382
G.O. Note (PFA-2009) Fund				
Nonspendable - Advances to Other Funds	\$ 237,000	\$ -	\$ -	\$ -
Unassigned	-	-	-	(63,681)
Total G.O. Note (PFA-2009) Fund	\$ 237,000	\$ -	\$ -	\$ (63,681)
TIF District 1-7 Fund				
Unassigned	\$ -	\$ -	\$ -	\$ (40,120)
Nonmajor Governmental Funds				
Restricted for Economic Development	\$ -	\$ 33,270	\$ -	\$ -
Unassigned	-	-	-	(78,877)
Total Nonmajor Governmental Funds	\$ -	\$ 33,270	\$ -	\$ (78,877)

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND EQUITY (Continued)

Additionally, nonmajor governmental funds with deficit fund balances at December 31, 2023 are as follows:

Nonmajor Funds	Fund Deficit
Park Fund	\$ (20,890)
North Berkey 1st Addition Fund	\$ (57,987)

Fund deficits are expected to be recovered through future assessments, tax levies, tax increment, or transfers.

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

General Employees Retirement Plan

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

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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

In 2023, the legislature allocated funding for a one-time lump sum payment to General Employee Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

**CITY OF SWANVILLE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2023 were \$4,530. The City’s contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$44,735 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 \$1,200.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0008 percent at the end of the measurement period and 0.0008 percent for the beginning of the period.

City’s proportionate share of the net pension liability	\$44,735
State of Minnesota’s proportionate share of the net pension Liability associated with the City	<u>1,200</u>
Total	<u>\$45,935</u>

For the year ended December 31, 2023, the City recognized pension expense of \$1,178 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$5 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,469	\$ 347
Changes in actuarial assumptions	8,112	12,261
Difference between projected and actual investment earnings	-	3,690
Changes in proportionate share	1,499	2,135
Contributions paid to PERA subsequent to the measurement date	2,273	-
Total Deferred Outflows/Inflows	\$ 13,353	\$ 18,433

The \$2,273 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, 2024.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2024	\$ 1,352
2025	\$ (8,781)
2026	\$ 1,044
2027	\$ (968)

The total pension expense for all plans recognized by the City for the year ended December 31, 2023 was \$1,178.

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10 %
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

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

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct State aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SWANVILLE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Liability Sensitivity

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

Sensitivity Analysis			
<i>Net Pension Liability at Different Discount Rates</i>			
	General Employees Fund		
1% Decrease in Discount Rate	6.00%	\$	79,140
Current Discount Rate	7.00%	\$	44,735
1% Increase in Discount Rate	8.00%	\$	16,436

Pension Plan Fiduciary Net Position

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

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

4.B. TAX INCREMENT FINANCING DISTRICT

The City occasionally enters into tax increment financing arrangements with local businesses, for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance with the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 OTHER NOTES (Continued)

4.B. TAX INCREMENT FINANCING DISTRICT (Continued)

The following is a summary of the City’s current tax increment financing district:

	District #1-7
Business/Project Name	Dally Townhomes
Purpose	Housing
Authorizing MN Statute	469.174
Year Established	2017
Duration of District	Through 2044
Original Base Net Tax Capacity:	\$ <u>136</u>
Current Net Tax Capacity:	\$ <u>21,093</u>
Captured Net Tax Capacity:	\$ <u>20,956</u>
Taxes Abated in 2023:	\$ <u>-</u>
Total Bonds/Loans Issued	\$ <u>270,000</u>
Balance at 12/31/23	\$ <u>155,000</u>

4.C. COMMITMENTS

Refuse and Recycling Contracts

The City has a contract for refuse and recycling collection services for residential customers in the City until May 2029. The City shall pay the contractor at various monthly rates depending on container size for refuse and recyclable material. For the year ended December 31, 2023, such expense totals \$37,678.

4.D. SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the City approved the issuance of General Obligation Utility Revenue Bonds in the amount of \$2,800,000. These bonds will fund the City’s upcoming utility infrastructure project.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF SWANVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 90,000	\$ 107,137	\$ 17,137
Licenses and Permits	3,000	3,130	130
Intergovernmental Revenue			
State Revenue			
Local Government Aid	95,322	95,322	-
Police and Fire Aid	-	30,397	30,397
Other State Grants and Aids	-	11,000	11,000
County Revenue			
Other County Grants and Aids	2,350	-	(2,350)
Total Intergovernmental Revenue	<u>97,672</u>	<u>136,719</u>	<u>39,047</u>
Charges for Services			
Police and Fire Contracts	13,000	-	(13,000)
Sanitation	4,300	-	(4,300)
Cemetery	-	1,200	1,200
Other Service Charges	5,192	800	(4,392)
Total Charges for Services	<u>22,492</u>	<u>2,000</u>	<u>(20,492)</u>
Fines and Forfeitures	200	280	80
Miscellaneous Revenue			
Investment Earnings	70	393	323
Refunds and Reimbursements	-	57	57
Contributions and Donations	-	14,500	14,500
Other Miscellaneous	2,000	2,951	951
Total Miscellaneous Revenue	<u>2,070</u>	<u>17,901</u>	<u>15,831</u>
TOTAL REVENUES	215,434	267,167	51,733

CITY OF SWANVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget Amounts- Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
EXPENDITURES			
General Government			
Mayor and Council	6,975	7,516	541
Administration and Finance	16,060	19,481	3,421
Other General Government	<u>81,250</u>	<u>64,387</u>	<u>(16,863)</u>
Total General Government	104,285	91,384	(12,901)
Public Safety			
Fire			
Current	30,000	32,196	2,196
Public Works			
Street Maintenance and Storm Sewers	62,670	65,104	2,434
Snow and Ice Removal	2,500	3,804	1,304
Street Lighting	12,000	11,832	(168)
Capital Outlay - Street Construction	-	8,399	8,399
Capital Outlay - Other	<u>-</u>	<u>238</u>	<u>238</u>
Total Public Works	77,170	89,377	12,207
Culture and Recreation			
Parks and Recreation			
Current	11,000	10,886	(114)
Miscellaneous Expenditures			
Cemetery			
Current	<u>3,500</u>	<u>5,502</u>	<u>2,002</u>
TOTAL EXPENDITURES	<u>225,955</u>	<u>229,345</u>	<u>3,390</u>
NET CHANGE IN FUND BALANCE	<u>\$ (10,521)</u>	37,822	<u>\$ 48,343</u>
FUND BALANCE - BEGINNING		<u>214,349</u>	
FUND BALANCE - ENDING		<u>\$ 252,171</u>	

CITY OF SWANVILLE, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Pension Plan</i>							
2023	0.0008%	\$ 44,735	\$ 1,200	\$ 45,935	\$ 60,400	76.1%	83.1%
2022	0.0008%	\$ 63,361	\$ 1,805	\$ 65,166	\$ 59,627	109.3%	76.7%
2021	0.0009%	\$ 38,433	\$ 1,139	\$ 39,572	\$ 61,840	64.0%	87.0%
2020	0.0008%	\$ 47,963	\$ 1,435	\$ 49,398	\$ 60,200	82.1%	79.1%
2019	0.0008%	\$ 44,231	\$ 1,333	\$ 45,564	\$ 58,413	78.0%	80.2%
2018	0.0008%	\$ 44,381	\$ 1,410	\$ 45,791	\$ 54,570	83.9%	79.5%
2017	0.0008%	\$ 51,071	\$ 647	\$ 51,718	\$ 51,893	99.7%	75.9%
2016	0.0009%	\$ 73,076	\$ 942	\$ 74,018	\$ 55,747	132.8%	68.9%
2015	0.0009%	\$ 46,643	\$ -	\$ 46,643	\$ 53,912	86.5%	78.2%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reports as they become available.

CITY OF SWANVILLE, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2023	\$ 4,530	\$ 4,530	\$ -	\$ 60,400	7.50%
2022	\$ 4,531	\$ 4,531	\$ -	\$ 60,413	7.50%
2021	\$ 4,521	\$ 4,521	\$ -	\$ 60,280	7.50%
2020	\$ 4,592	\$ 4,592	\$ -	\$ 61,227	7.50%
2019	\$ 4,461	\$ 4,461	\$ -	\$ 59,480	7.50%
2018	\$ 4,215	\$ 4,215	\$ -	\$ 56,197	7.50%
2017	\$ 4,092	\$ 4,092	\$ -	\$ 54,560	7.50%
2016	\$ 3,833	\$ 3,833	\$ -	\$ 51,107	7.50%
2015	\$ 4,107	\$ 4,107	\$ -	\$ 54,771	7.50%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reports as they become available.

**CITY OF SWANVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 BUDGETARY COMPARISON SCHEDULE

Actual expenditures in the General Fund of \$229,345 exceeded the final budgeted expenditures by \$3,390 for the current year. This is primarily due to unbudgeted capital outlay expenditures. The expenditures in excess of budget were funded by available fund balance.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct State aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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 in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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.

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

- 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

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

CITY OF SWANVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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.

2016 Changes

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent 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 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

**CITY OF SWANVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023**

	Special Revenue		Capital Projects	
	Small Cities Development Park Fund	Grant Fund	North Berkey 1st Addition Fund	Nonmajor Governmental Funds
	Park Fund	Grant Fund	Fund	Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 33,270	\$ -	\$ 33,270
LIABILITIES				
Accounts Payable	\$ 1,966	\$ -	\$ 8,000	\$ 9,966
Due to Other Funds	18,924	-	42,487	61,411
Unearned Revenue	-	-	7,500	7,500
Total Liabilities	20,890	-	57,987	78,877
FUND BALANCES				
Restricted	-	33,270	-	33,270
Unassigned	(20,890)	-	(57,987)	(78,877)
Total Fund Balances	(20,890)	33,270	(57,987)	(45,607)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 33,270	\$ -	\$ 33,270

**CITY OF SWANVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	Park Fund	Small Cities Development Grant Fund	North Berkey 1st Addition Fund	Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ 8,796	\$ -	\$ 8,796
Charges for Services	8,350	-	-	8,350
Miscellaneous	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
TOTAL REVENUES	38,350	8,796	-	47,146
EXPENDITURES				
Current:				
Public Works	-	-	8,000	8,000
Parks and Recreation	22,129	-	-	22,129
Economic Development	<u>-</u>	<u>10,866</u>	<u>-</u>	<u>10,866</u>
TOTAL EXPENDITURES	<u>22,129</u>	<u>10,866</u>	<u>8,000</u>	<u>40,995</u>
NET CHANGE IN FUND BALANCES	16,221	(2,070)	(8,000)	6,151
FUND BALANCES - BEGINNING	<u>(37,111)</u>	<u>35,340</u>	<u>(49,987)</u>	<u>(51,758)</u>
FUND BALANCES - ENDING	<u>\$ (20,890)</u>	<u>\$ 33,270</u>	<u>\$ (57,987)</u>	<u>\$ (45,607)</u>

**CITY OF SWANVILLE, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Initial Authorized Issue</u>	<u>Outstanding Balance 01/01/23</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding Balance 12/31/23</u>	<u>Principal Due Within One Year</u>
GOVERNMENTAL INDEBTEDNESS									
G.O. MN PFA Note, Series 2009	7/7/2009	1.54%	8/20/2029	\$ 647,312	\$ 250,000	\$ -	\$ 34,000	\$ 216,000	\$ 35,000
G.O. Tax Increment Financing Note, Series 2017A	6/19/2017	3.10%	2/1/2028	<u>270,000</u>	<u>183,000</u>	<u>-</u>	<u>28,000</u>	<u>155,000</u>	<u>29,000</u>
TOTAL GOVERNMENTAL DEBTS				917,312	433,000	-	62,000	371,000	64,000
PROPRIETARY INDEBTEDNESS									
G.O. MN PFA Note, Series 2013	8/6/2013	1.88%	8/20/2043	953,866	725,000	-	28,000	697,000	29,000
Temporary G.O. Water Revenue Note, Series 2023A	3/28/2023	3.50%	3/1/2026	<u>563,000</u>	<u>-</u>	<u>563,000</u>	<u>-</u>	<u>563,000</u>	<u>-</u>
TOTAL PROPRIETARY DEBTS				<u>1,516,866</u>	<u>725,000</u>	<u>563,000</u>	<u>28,000</u>	<u>1,260,000</u>	<u>29,000</u>
TOTAL INDEBTEDNESS				<u>\$ 2,434,178</u>	<u>\$ 1,158,000</u>	<u>\$ 563,000</u>	<u>\$ 90,000</u>	<u>\$ 1,631,000</u>	<u>\$ 93,000</u>

**OTHER REQUIRED REPORTS
AND SCHEDULES**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Swanville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Swanville, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Swanville's basic financial statements, and have issued our report thereon dated June 27, 2024 .

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Swanville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Responses* as items 2012-001 and 2012-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Responses* as item 2012-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Swanville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that the City of Swanville failed to comply with provisions of the miscellaneous provisions section 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 as described in the *Schedule of Findings and Responses* as item 2023-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Swanville failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, public indebtedness, claims and disbursements, conflicts of interest, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Swanville's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 27, 2024

**CITY OF SWANVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

Criteria: The basic premise of proper segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of the transaction.

Cause: There are a limited number of employees.

Effect: The City's lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls.

*Views of Responsible
Officials and Planned
Corrective Action:* Management agrees with our recommendation. See corresponding Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: We believe management would require additional training in order to prepare the financial statements internally.

Effect: The outsourcing of these services is not unusual in entities of the size of the City of Swanville and is the result of management's cost benefit decision to rely on our expertise rather than incurring this internal resource cost. However, errors can occur in the financial statements that may not be detected by management.

Recommendation: While it may not be feasible for the City to eliminate this deficiency, we recommend the City documents its annual review of the financial statements.

*Views of Responsible
Officials and Planned
Corrective Action:* Management agrees with our recommendation. See corresponding Corrective Action Plan.

**CITY OF SWANVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The City is required to report accurate financial information.

Cause: The trial balance presented for the audit had not been adjusted to accurately reflect all accrual balances.

Effect: The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

Recommendation: We recommend management perform a thorough review of the trial balance, year-end schedules, and support provided for the audit prior to the completion of the year-end audit procedures.

*Views of Responsible
Officials and Planned
Corrective Action:*

Management agrees with our recommendation. See corresponding Corrective Action Plan.

LEGAL COMPLIANCE FINDING

Finding 2023-001 Non-Compliant Bonus or Incentive Pay

Condition: The City paid a bonus or incentive that was not in compliance with Minnesota Statutes.

Criteria: In accordance with Minnesota Statutes, the City is required to refrain from paying retroactive bonuses or pay increases unless the bonus or pay increase was paid under a pre-existing agreement or pursuant to collective bargaining.

Cause: The Council approved a bonus or incentive that did not have a pre-existing arrangement and was not payment for past services.

Effect: Failure to have a policy or pre-existing arrangement regarding this bonus/incentive resulted in the City's noncompliance with Minnesota Statutes.

Recommendation: If the City plans to pay bonuses or incentives in the future, we recommend the City follow Minnesota Statutes.

*Views of Responsible
Officials And Planned
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF SWANVILLE, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2023**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to the Finding
The City will review current procedures and implement additional controls where possible.
3. Office Responsible
Julie Hollermann, City Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to the Finding
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements. The City will revisit this decision on an ongoing, annual basis.
3. Office Responsible
Julie Hollermann, City Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF SWANVILLE, MINNESOTA
CORRECTIVE ACTION PLANS
DECEMBER 31, 2023**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to the Finding
The City will thoroughly review the trial balance prior to fieldwork and prepare schedules for adjusting entries before submitting the trial balance to the auditors.
3. Office Responsible
Julie Hollermann, City Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

LEGAL COMPLIANCE FINDING

Finding 2023-001 Non-Compliant Bonus or Incentive Pay

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will refrain from making such payments unless such comply with MN Statutes.
3. Official Responsible
Julie Hollermann, City Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2024.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.