

**City of Oak Grove
Anoka County, Minnesota**

Basic Financial Statements

December 31, 2023

**City of Oak Grove
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**City of Oak Grove
Elected Officials and Administration
December 31, 2023**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Weston Rolf	Mayor	December 31, 2026
John West	Council Member	December 31, 2026
Mike Wylie	Council Member	December 31, 2024
Angie Bray Johnson	Council Member	December 31, 2026
Paul Tradewell	Council Member	December 31, 2024

Administration

Loren Wickham	City Administrator
Abdo Financial Solutions, LLC	Consulting Finance Manager
Matt Anderson	Director of Public Works
Rob Engler	Fire Chief



Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Oak Grove
Oak Grove, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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

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

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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024, on our consideration of the City of Oak Grove’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 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 Oak Grove’s internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
April 15, 2024

City of Oak Grove Management's Discussion and Analysis

As management of the City of Oak Grove, Minnesota (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2023.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$27,416,109 (net position). Of this amount, \$7,558,083 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ The City's total net position increased by \$1,158,792. A further breakdown of net position is chronicled under government-wide financial statement analysis.
- ◆ As of the close of the current year, the City's governmental funds reported a combined ending fund balance of \$6,571,720, an increase of \$700,791 in comparison with the prior year.
- ◆ At the end of the current year, total fund balance for the General Fund was \$1,759,726, or 51%, of the budgeted 2023 General Fund expenditures.
- ◆ The City's long-term debt decreased by \$25,000 due to payments made on long-term debt. The City's compensated absences payable balance decreased \$2,333.

OVERVIEW OF THE FINANCIAL STATEMENTS

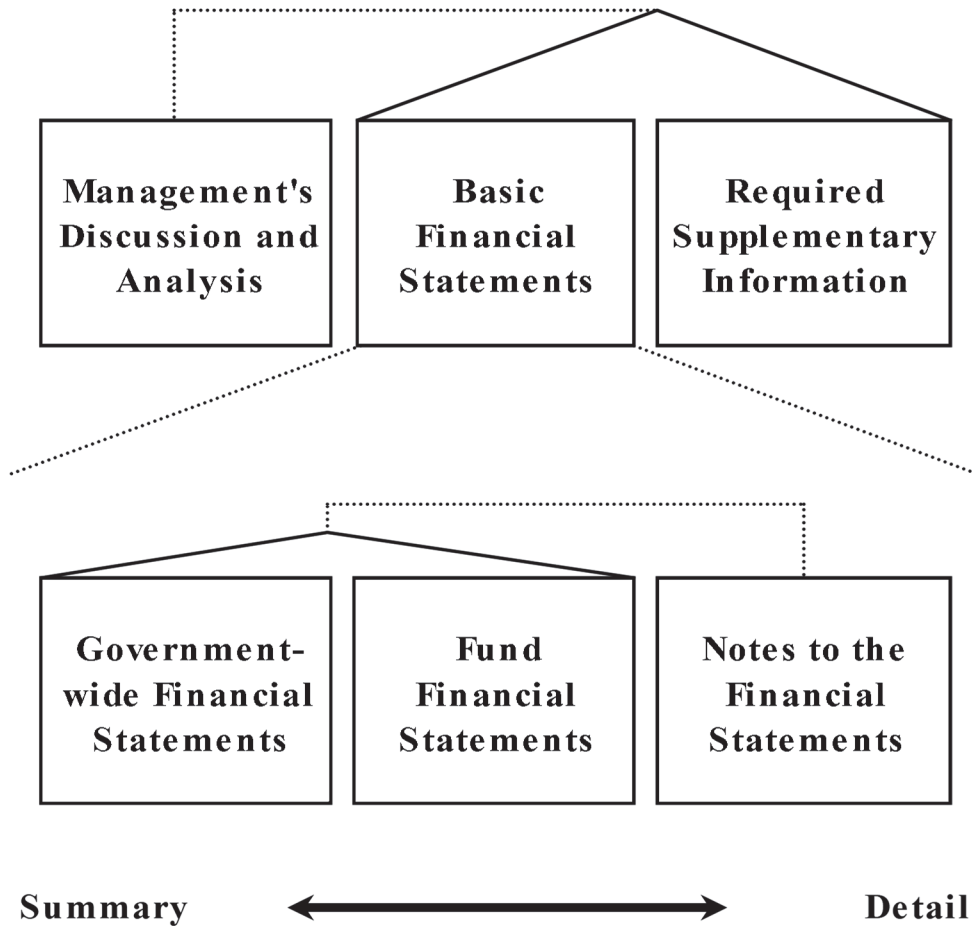
This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This analysis contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

City of Oak Grove
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure 1
Required Components of the
City's Annual Financial Report



**City of Oak Grove
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

**Figure 2
Major features of the Government-Wide and Fund Financial Statements**

	Fund Financial Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required Financial Statements	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Revenues, Expenses, and Changes in Net Position ◆ Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

**City of Oak Grove
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

The government-wide financial statements start on page 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 14 individual governmental funds, two of which is a Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, American Rescue Plan Fund, MSA Construction Fund, Developer Escrow Fund, Asset Replacement Fund, Road Improvement Fund, and Taxable G.O. Tax Increment Bonds Series 2007B Debt Service Fund. Data from the seven other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

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

The basic governmental fund financial statements start on page 20 of this report.

**City of Oak Grove
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and street lights.

The proprietary fund financial statements provide separate information for the water, sewer, and street lights, which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 28 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements start on page 35 of this report.

Other Information

Required supplementary information as well as the combining statements referred to earlier, in connection with non-major governmental funds, are presented following the notes to financial statements. Combining and individual fund statements and schedules start on page 74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,416,109 at the close of the most recent year.

**City of Oak Grove
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

By far, the largest portion of the City's net position (67.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 9,346,379	\$ 9,246,597	\$ 99,782	\$ 1,553,575	\$ 1,430,890	\$ 122,685
Capital assets	16,334,299	15,850,923	483,376	2,745,790	2,855,225	(109,435)
Total assets	\$ 25,680,678	\$ 25,097,520	\$ 583,158	\$ 4,299,365	\$ 4,286,115	\$ 13,250
Deferred outflows of resources						
Deferred outflows of resources related to pension	\$ 433,624	\$ 312,903	\$ 120,721	\$ 13,152	\$ 17,773	\$ (4,621)
Total assets and deferred outflows of resources	\$ 26,114,302	\$ 25,410,423	\$ 703,879	\$ 4,312,517	\$ 4,303,888	\$ 8,629
Liabilities						
Other liabilities	\$ 1,658,191	\$ 1,923,270	\$ (265,079)	\$ 66,856	\$ 218,309	\$ (151,453)
Long-term liabilities outstanding	862,563	1,005,643	(143,080)	174,384	51,161	123,223
Total liabilities	\$ 2,520,754	\$ 2,928,913	\$ (408,159)	\$ 241,240	\$ 269,470	\$ (28,230)
Deferred inflows of resources						
Deferred inflows of resources related to pension	\$ 235,808	\$ 256,592	\$ (20,784)	\$ 12,908	\$ 2,019	\$ 10,889
Net position						
Net investment in capital assets	15,984,299	15,500,923	483,376	2,587,790	2,672,225	(84,435)
Restricted	1,285,937	808,691	477,246	-	-	-
Unrestricted	6,087,504	5,915,304	172,200	1,470,579	1,360,174	110,405
Total net position	\$ 23,357,740	\$ 22,224,918	\$ 1,132,822	\$ 4,058,369	\$ 4,032,399	\$ 25,970
Total liab, deferred inflows of resources and net position	\$ 26,114,302	\$ 25,410,423	\$ 703,879	\$ 4,312,517	\$ 4,303,888	\$ 8,629

An additional portion of the City's net position (4.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (27.6%), may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**City of Oak Grove
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's net position increased \$1,158,792 during the current year.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$1,132,822 Key elements of this increase are as follows:

Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 453,240	\$ 534,263	\$ (81,023)	\$ 544,578	\$ 503,640	\$ 40,938
Operating grants and contributions	556,563	164,638	391,925	-	-	-
Capital grants and contributions	1,458,187	1,193,457	264,730	6,525	14,000	(7,475)
General revenues						
Taxes						
Property taxes	3,056,449	2,791,110	265,339	-	-	-
Tax increments	28,857	28,683	174	-	-	-
Intergovernmental	62,122	136,651	(74,529)	-	-	-
Unrestricted investment earnings	266,884	33,378	233,506	67,696	9,235	58,461
Gain on sale of property	5,721	8,850	(3,129)	-	-	-
Miscellaneous	40,949	6,938	34,011	-	-	-
Total revenues	<u>5,928,972</u>	<u>4,897,968</u>	<u>1,031,004</u>	<u>618,799</u>	<u>526,875</u>	<u>91,924</u>
Expenses						
General government	1,060,031	957,291	102,740	-	-	-
Public safety	1,723,121	1,663,249	59,872	-	-	-
Public works	1,844,485	1,807,122	37,363	-	-	-
Sanitation	14,708	23,022	(8,314)	-	-	-
Parks and recreation	136,565	112,110	24,455	-	-	-
Economic development	514	4,106	(3,592)	-	-	-
Interest on long-term debt	16,726	9,729	6,997	-	-	-
Water	-	-	-	241,572	222,916	18,656
Sewer	-	-	-	346,288	343,881	2,407
Street Light	-	-	-	4,969	6,149	(1,180)
Total expenses	<u>4,796,150</u>	<u>4,576,629</u>	<u>219,521</u>	<u>592,829</u>	<u>572,946</u>	<u>19,883</u>
Change in net position	1,132,822	321,339	811,483	25,970	(46,071)	72,041
Prior Period Adjustment	-	-	-	-	-	-
Net position - January 1	<u>22,224,918</u>	<u>21,903,579</u>	<u>321,339</u>	<u>4,032,399</u>	<u>4,078,470</u>	<u>(46,071)</u>
Net position - December 31	<u>\$ 23,357,740</u>	<u>\$ 22,224,918</u>	<u>\$ 1,132,822</u>	<u>\$ 4,058,369</u>	<u>\$ 4,032,399</u>	<u>\$ 25,970</u>

**City of Oak Grove
Management's Discussion and Analysis**

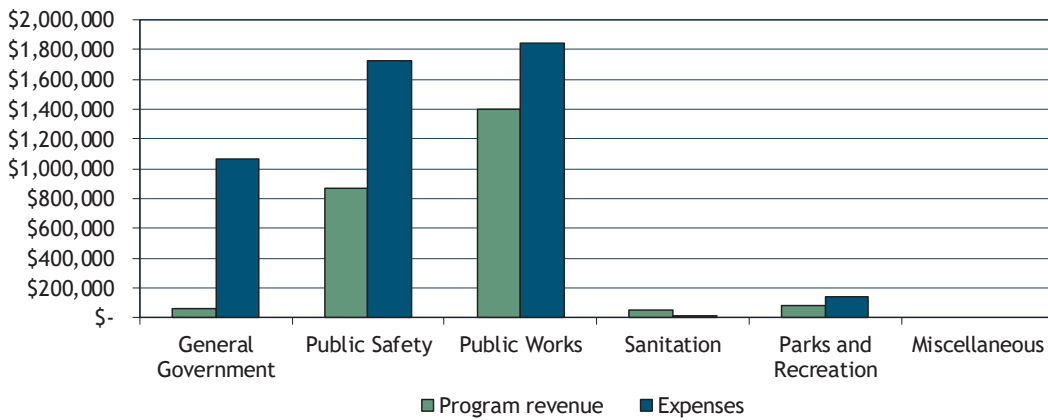
GOVERNMENTAL ACTIVITIES (CONTINUED)

The line items with the most significant changes were the increase in the Operating Grants and contributions, Capital Grants and Contributions, Property Taxes, and Unrestricted Investment Earnings. Overall, the 2023 revenues were \$1,031,004 more than 2022, and the 2023 expenditures were \$219,521 more than 2022.

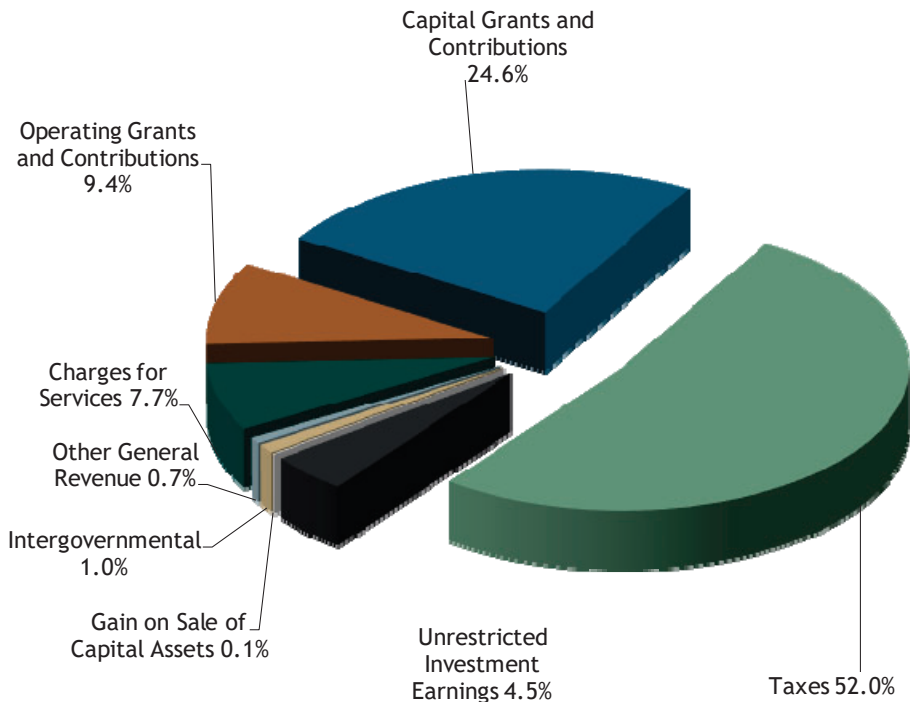
The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Net position, based on current year activity, in the governmental activities, increased \$1,132,822.

Expenses and Program Revenues - Governmental Activities



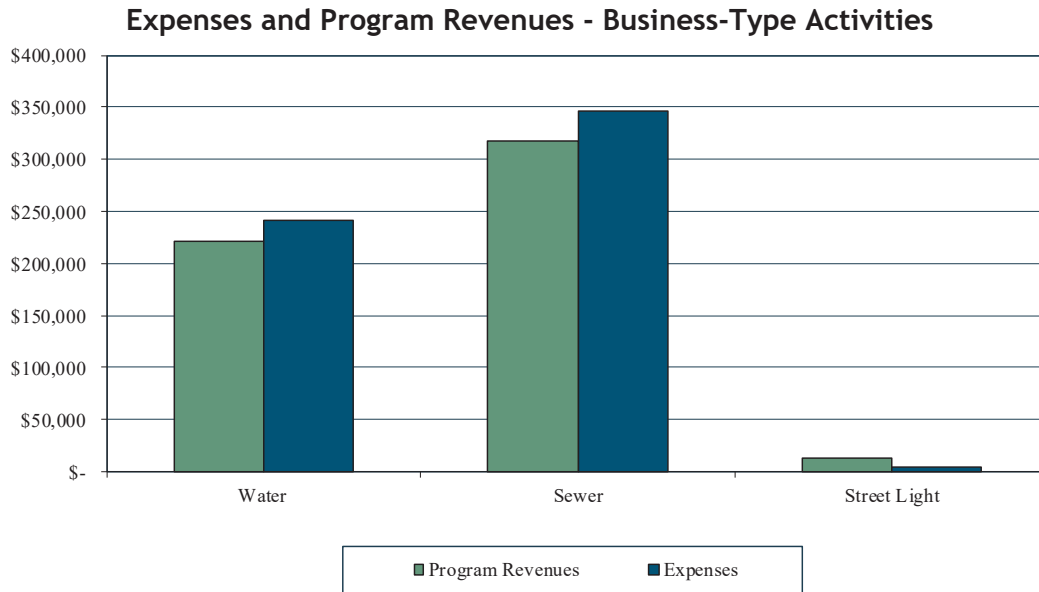
Revenues by Source - Governmental Activities



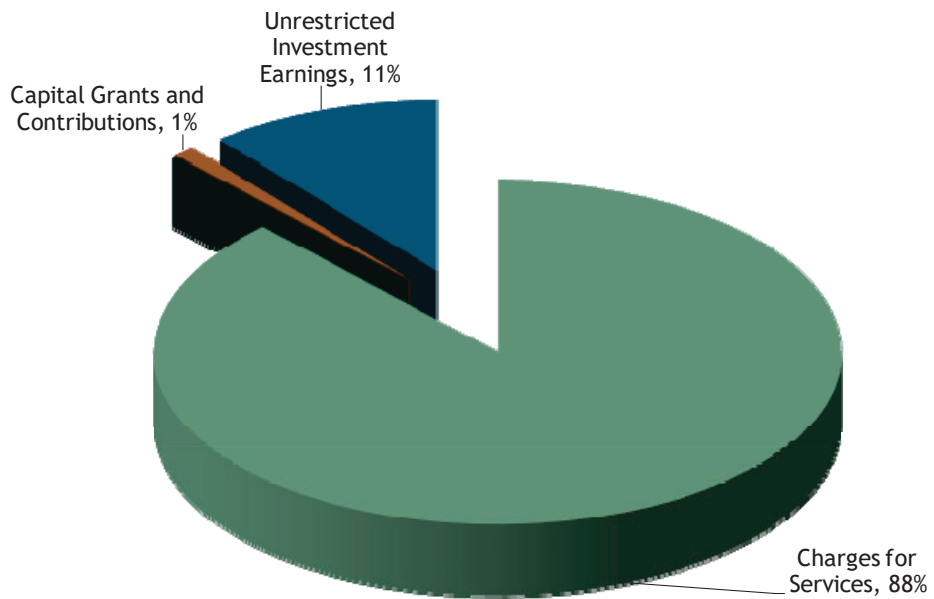
City of Oak Grove
Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

Business-type activities, based on current year activity, decreased the City's net position by \$25,970.



Revenues by Source - Business-type Activities



**City of Oak Grove
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

Activity in the City's major governmental funds is discussed below:

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$6,571,720 an increase of \$700,791 in comparison with the prior year. The unassigned fund balance is only \$30,782 primarily due to movement of \$890,301 of the fund balance in the American Rescue Plan fund to nonspendable. A prepayment was made towards a fire truck in 2022 leaving this amount as nonspendable. The remainder of fund balance is either: 1) nonspendable (\$939,626), 2) restricted (\$1,290,312), (3) committed (\$374,466), or (4) assigned (\$3,936,534).

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
General			
This increase is due to positive activity in the general fund.	\$ 1,759,726	\$ 1,602,937	\$ 156,789
American Rescue Plan			
No change in overall fund balance	(4,537)	(4,537)	-
Asset Replacement Fund			
This increase is due additional tranfers from General fund for future capital purchases	3,191,970	2,896,059	295,911
Road Improvement			
This decrease is due to road improvements made in the current year.	1,014,691	1,055,365	(40,674)
MSA Construction Fund			
This increase is due to smaller road projects in 2023.	(223,334)	(315,551)	92,217
Developer Escrow			
No change in overal fund balance	(14,717)	(14,717)	-
Taxable G.O. Tax Increment			
Bond Series 2007B	(547,386)	(571,213)	23,827
This negative balance decreased due to a payment being made on the loan.			

Proprietary Funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,470,579. The total increase in net position for the funds was \$25,970.

**City of Oak Grove
Management's Discussion and Analysis**

GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made during the year. Actual revenues were over budget by \$316,911, and expenditures were over budget by \$199,816.

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

- ◆ License and permits revenues resulted in a surplus of \$199,012 due to increased development in the city.
- ◆ Intergovernmental revenues resulted in a surplus of \$105,269 primarily due to Municipal State aid.
- ◆ Charges for services resulted in a surplus of \$19,693, also due to the increased development.
- ◆ General government expenses resulted in a budget deficit of \$61,343 due to increase consulting costs due to vacant staff positions.
- ◆ Public safety expenses resulted in a budget deficit of \$159,981 due to increased staffing in the Police contract.
- ◆ Public works expenses resulted in a budget deficit of \$77,1755 due to increased construction costs and fuel expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounted to \$19,080,089 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total change in the City's investment in capital assets for the current year was a increase of \$373,941.

Additional information on the City's capital assets can be found in Note 5 starting on page 49.

Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities	
	2023	2022	Increase (Decrease)	2023	2022
Land	\$ 1,761,586	\$ 1,817,139	\$ (55,553)	\$ 1,521	\$ 1,521
Buildings and improvements	1,160,477	1,238,292	(77,815)	11,067	11,393
Furniture and fixtures	26,846	29,414	(2,568)	-	-
Machinery and equipment	2,081,682	2,085,286	(3,604)	29,442	4,716
Infrastructure	11,303,708	10,680,792	622,916	2,703,760	2,837,595
Construction in progress	-	-	-	-	-
Total	\$ 16,334,299	\$ 15,850,923	\$ 483,376	\$ 2,745,790	\$ 2,855,225

Long-Term Debt - At the end of the current year, the City had total bonded debt outstanding of \$508,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

**City of Oak Grove
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
G.O. Sewer Revenue Note Series 2010A	\$ -	\$ -	\$ -	\$ 158,000	\$ 183,000	\$ (25,000)
G.O. Sewer Revenue Note Series 2022A	350,000	350,000	-	-	-	-
Compensated absences payable	58,985	61,318	(2,333)	-	-	-
Total city indebtedness	<u>\$ 408,985</u>	<u>\$ 411,318</u>	<u>\$ (2,333)</u>	<u>\$ 158,000</u>	<u>\$ 183,000</u>	<u>\$ (25,000)</u>

Minnesota Statutes limit the amount of net general obligation debt a city may issue up to 3.0% of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 6 starting on page 51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ The overall tax levy increased by \$677,072 in 2024 and the Council expects to continue monitoring City finances and to look for opportunities to minimize the tax effect of City operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Oak Grove, 19900 Nightingale Street NW, Oak Grove, Minnesota, 55011.

BASIC FINANCIAL STATEMENTS

City of Oak Grove
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 7,110,377	\$ 1,427,725	\$ 8,538,102
Receivables			
Accounts receivable	19,665	72,015	91,680
Interest receivable	19,917	-	19,917
Due from other governments	806,734	-	806,734
Taxes receivable			
Unremitted	32,875	-	32,875
Delinquent	32,616	-	32,616
Special assessments receivable			
Unremitted	281	678	959
Delinquent	-	4,111	4,111
Deferred charges	384,288	47,341	431,629
Prepaid items	939,626	1,705	941,331
Capital assets not being depreciated			
Land	1,761,586	1,521	1,763,107
Capital assets (net of accumulated depreciation)			
Buildings and improvements	1,160,477	11,067	1,171,544
Furniture and fixtures	26,846	-	26,846
Machinery and equipment	2,081,682	29,442	2,111,124
Infrastructure	11,303,708	2,703,760	14,007,468
Total assets	<u>25,680,678</u>	<u>4,299,365</u>	<u>29,980,043</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to Fire Relief pensions	283,285	-	283,285
Deferred outflows of resources related to City pensions	150,339	13,152	163,491
Total deferred outflow of resources	<u>433,624</u>	<u>13,152</u>	<u>446,776</u>
Total assets and deferred outflows of resources	<u>\$ 26,114,302</u>	<u>\$ 4,312,517</u>	<u>\$ 30,426,819</u>
Liabilities			
Accounts payable	\$ 180,100	\$ 2,556	\$ 182,656
Contracts payable	45,958	-	45,958
Due to other governments	3,552	37,029	40,581
Salaries and benefits payable	20,709	1,282	21,991
Interest payable	4,375	989	5,364
Deposits payable	407,528	-	407,528
Unearned revenue	918,409	-	918,409
Note from direct borrowing			
Payable within one year	26,000	25,000	51,000
Payable after one year	324,000	133,000	457,000
Compensated absences payable			
Payable within one year	51,560	-	51,560
Payable after one year	7,425	-	7,425
Net pension liability - City pensions	473,070	41,384	514,454
Net pension liability - Fire Relief	58,068	-	58,068
Total liabilities	<u>2,520,754</u>	<u>241,240</u>	<u>2,761,994</u>
Deferred Inflows of Resources			
Deferred inflows related to Fire Relief pensions	88,262	-	88,262
Deferred inflows related to City pensions	147,546	12,908	160,454
Total deferred inflows of resources	<u>235,808</u>	<u>12,908</u>	<u>248,716</u>
Net Position			
Net investment in capital assets	15,984,299	2,587,790	18,572,089
Restricted			
Debt service	191,734	-	191,734
Public safety	394,237	-	394,237
Cable TV - PEG	5,826	-	5,826
Park dedication	694,140	-	694,140
Unrestricted	6,087,504	1,470,579	7,558,083
Total net position	<u>23,357,740</u>	<u>4,058,369</u>	<u>27,416,109</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 26,114,302</u>	<u>\$ 4,312,517</u>	<u>\$ 30,426,819</u>

See notes to basic financial statements.

City of Oak Grove
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Program Revenue			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities						
General government	\$ 1,060,031	\$ 1,920	\$ -	\$ (998,635)	\$ -	\$ (98,635)
Public safety	1,723,121	491,600	126	(851,502)	-	(851,502)
Public works	1,844,485	5,115	1,397,461	(441,909)	-	(441,909)
Sanitation	14,708	34,811	-	33,974	-	33,974
Parks and recreation	136,565	23,117	60,600	(52,848)	-	(52,848)
Economic development	514	-	-	(514)	-	(514)
Interest on long-term debt	16,726	-	-	(16,726)	-	(16,726)
Total governmental activities	<u>4,796,150</u>	<u>556,563</u>	<u>1,458,187</u>	<u>(2,328,160)</u>	<u>-</u>	<u>(2,328,160)</u>
Business-type activities						
Water	241,572	-	360	-	(20,165)	(20,165)
Sewer	346,288	-	5,998	-	(29,106)	(29,106)
Street light	4,969	-	167	-	7,545	7,545
Total business-type activities	<u>592,829</u>	<u>-</u>	<u>6,525</u>	<u>-</u>	<u>(41,726)</u>	<u>(41,726)</u>
Total governmental and business-type activities	<u>\$ 5,388,979</u>	<u>\$ 556,563</u>	<u>\$ 1,464,712</u>	<u>(2,328,160)</u>	<u>(41,726)</u>	<u>(2,369,886)</u>
General revenues						
Property taxes				3,056,449	-	3,056,449
Tax increments				28,857	-	28,857
Intergovernmental				62,122	-	62,122
Unrestricted investment earnings				266,884	67,696	334,580
Other general revenue				5,721	-	5,721
Gain on sale of capital assets				40,949	-	40,949
Total general revenues				<u>3,460,982</u>	<u>67,696</u>	<u>3,528,678</u>
Change in net position				<u>1,132,822</u>	<u>25,970</u>	<u>1,158,792</u>
Net position - beginning				<u>22,224,918</u>	<u>4,032,399</u>	<u>26,257,317</u>
Net position - ending				<u>\$ 23,357,740</u>	<u>\$ 4,058,369</u>	<u>\$ 27,416,109</u>

See notes to basic financial statements.

City of Oak Grove
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund (101, 203, 204, 205)	Special	Capital Projects	
		Revenue	Asset	
		American Rescue Plan (212)	Replacement Fund (410, 411, 412, 413)	Road Improvement Fund (403)
Assets				
Cash and investments	\$ 1,826,424	\$ 37,632	\$ 3,191,970	\$ 299,346
Accounts receivable	2,622	-	-	-
Interest receivable	19,917	-	-	-
Due from other funds	-	-	-	167,504
Advances to other funds	-	-	-	548,965
Due from other governments	1,325	-	-	-
Taxes receivable				
Unremitted	31,200	-	-	-
Delinquent	32,616	-	-	-
Special assessment receivable				
Unremitted	-	-	-	281
Deferred	22,033	-	-	200,766
Prepaid items	48,669	890,301	-	-
Total assets	\$ 1,984,806	\$ 927,933	\$ 3,191,970	\$ 1,216,862
Liabilities				
Accounts payable	\$ 137,243	\$ 14,061	\$ -	\$ 1,405
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Due to other governments	3,552	-	-	-
Salaries and benefits payable	20,709	-	-	-
Unearned revenue	-	918,409	-	-
Deposits payable	8,927	-	-	-
Total liabilities	170,431	932,470	-	1,405
Deferred Inflows of Resources				
Unavailable revenue - property taxes	32,616	-	-	-
Unavailable revenue - special assessments	22,033	-	-	200,766
Unavailable revenue - State shared taxes	-	-	-	-
Total deferred inflows of resources	54,649	-	-	200,766
Fund Balances				
Nonspendable	48,669	890,301	-	-
Restricted	-	-	394,237	-
Committed	-	-	-	-
Assigned	-	-	2,797,733	1,014,691
Unassigned	1,711,057	(894,838)	-	-
Total fund balances	1,759,726	(4,537)	3,191,970	1,014,691
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,984,806	\$ 927,933	\$ 3,191,970	\$ 1,216,862

Capital Projects		Debt Service		
MSA Construction Fund (402)	Developer Escrow (801)	Taxable G.O. Tax Increment Bonds Series 2007B (303)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 379,487	\$ -	\$ 1,375,518	\$ 7,110,377
-	17,043	-	-	19,665
-	-	-	-	19,917
-	-	-	96	167,600
-	-	-	-	548,965
786,372	-	-	19,037	806,734
-	-	1,675	-	32,875
-	-	-	-	32,616
-	-	-	-	281
-	-	-	161,489	384,288
-	-	-	656	939,626
<u>\$ 786,372</u>	<u>\$ 396,530</u>	<u>\$ 1,675</u>	<u>\$ 1,556,796</u>	<u>\$ 10,062,944</u>
\$ 14,745	\$ 12,646	\$ -	\$ -	\$ 180,100
45,958	-	-	-	45,958
167,504	-	96	-	167,600
-	-	548,965	-	548,965
-	-	-	-	3,552
-	-	-	-	20,709
-	-	-	-	918,409
-	398,601	-	-	407,528
<u>228,207</u>	<u>411,247</u>	<u>549,061</u>	<u>-</u>	<u>2,292,821</u>
-	-	-	-	32,616
-	-	-	161,489	384,288
781,499	-	-	-	781,499
<u>781,499</u>	<u>-</u>	<u>-</u>	<u>161,489</u>	<u>1,198,403</u>
-	-	-	656	939,626
-	-	-	896,075	1,290,312
-	-	-	374,466	374,466
-	-	-	124,110	3,936,534
(223,334)	(14,717)	(547,386)	-	30,782
<u>(223,334)</u>	<u>(14,717)</u>	<u>(547,386)</u>	<u>1,395,307</u>	<u>6,571,720</u>
<u>\$ 786,372</u>	<u>\$ 396,530</u>	<u>\$ 1,675</u>	<u>\$ 1,556,796</u>	<u>\$ 10,062,944</u>

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City of Oak Grove
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2023

Total fund balances - governmental funds	\$ 6,571,720
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Capital assets	34,406,541
Less accumulated depreciation	(18,072,242)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(350,000)
Compensated absences payable	(58,985)
Net pension liability - city pension	(473,070)
Governmental funds do not report a liability for accrued interest until due and payable.	(4,375)
Deferred outflows of resources and deferred Inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(235,808)
Deferred outflows of resources related to pensions	433,624
Fire relief association net pension liability created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	(58,068)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	32,616
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	384,288
State shared taxes	781,499
Total net position - governmental activities	\$ 23,357,740

City of Oak Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2023

	General Fund (101, 203, 204, 205)	Special Revenue	Capital Projects	
		American Rescue Plan (212)	Asset Replacement Fund (410, 411, 412, 413)	Road Improvement Fund (403)
Revenues				
Property taxes	\$ 2,759,615	\$ -	\$ -	\$ 250,000
Tax increments	-	-	-	-
Special assessments	-	-	-	44,081
Licenses and permits	394,712	-	-	-
Intergovernmental	305,450	56,061	394,237	-
Charges for services	24,693	-	-	-
Fines and forfeitures	19,964	-	-	-
Miscellaneous				
Investment income	38,450	-	148,628	12,711
Contributions and donations	23,793	-	-	-
Other	5,115	-	-	5,721
Total revenues	<u>3,571,792</u>	<u>56,061</u>	<u>542,865</u>	<u>312,513</u>
Expenditures				
Current				
General government	973,192	-	-	-
Public safety	1,601,127	-	-	-
Public works	680,291	-	-	-
Sanitation	-	-	-	-
Parks and recreation	80,155	-	-	-
Economic development	-	-	-	-
Debt service				
Interest and other charges	-	-	-	-
Capital outlay				
General government	6,180	56,061	7,850	-
Public safety	30,129	-	77,848	-
Public works	83,623	-	61,256	453,187
Parks and recreation	-	-	-	-
Total expenditures	<u>3,454,697</u>	<u>56,061</u>	<u>146,954</u>	<u>453,187</u>
Excess of revenues over (under) expenses	117,095	-	395,911	(140,674)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	39,694	-	-	-
Transfers in	-	-	-	100,000
Transfers out	-	-	(100,000)	-
Total other financing sources (uses)	<u>39,694</u>	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>
Net change in fund balances	156,789	-	295,911	(40,674)
Fund Balances				
Beginning of year	<u>1,602,937</u>	<u>(4,537)</u>	<u>2,896,059</u>	<u>1,055,365</u>
End of year	<u>\$ 1,759,726</u>	<u>\$ (4,537)</u>	<u>\$ 3,191,970</u>	<u>\$ 1,014,691</u>

Capital Projects		Debt Service		
MSA		Taxable G.O.		
Construction	Developer	Tax Increment	Nonmajor	Total
Fund (402)	Escrow (801)	Bonds Series	Governmental	Governmental
		2007B (303)	Funds	Funds
\$ -	\$ -	\$ -	\$ 51,000	\$ 3,060,615
-	-	28,857	-	28,857
-	-	-	42,403	86,484
-	-	-	-	394,712
1,176,717	-	-	34,811	1,967,276
-	-	-	13,871	38,564
-	-	-	-	19,964
1,551	-	691	64,853	266,884
-	-	-	60,600	84,393
-	-	-	-	10,836
<u>1,178,268</u>	<u>-</u>	<u>29,548</u>	<u>267,538</u>	<u>5,958,585</u>
-	-	-	3,000	976,192
-	-	-	-	1,601,127
702	-	-	-	680,993
-	-	-	14,708	14,708
-	-	-	20,994	101,149
-	-	-	514	514
-	-	5,721	9,421	15,142
-	-	-	-	70,091
-	-	-	-	107,977
1,085,349	-	-	-	1,683,415
-	-	-	47,435	47,435
<u>1,086,051</u>	<u>-</u>	<u>5,721</u>	<u>96,072</u>	<u>5,298,743</u>
92,217	-	23,827	171,466	659,842
-	-	-	1,255	40,949
-	-	-	-	100,000
-	-	-	-	(100,000)
-	-	-	1,255	40,949
92,217	-	23,827	172,721	700,791
<u>(315,551)</u>	<u>(14,717)</u>	<u>(571,213)</u>	<u>1,222,586</u>	<u>5,870,929</u>
<u>\$ (223,334)</u>	<u>\$ (14,717)</u>	<u>\$ (547,386)</u>	<u>\$ 1,395,307</u>	<u>\$ 6,571,720</u>

City of Oak Grove
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2023

Net change in fund balances - total governmental funds \$ 700,791

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	1,908,918
Expenses not capitalized	(290,835)
Depreciation expense	(1,079,154)
Loss on Disposal	(55,553)

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

2,333

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

Pension expense	18,526
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the Funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(1,584)

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

Deferred special assessments	(68,505)
State shared taxes	2,051

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

Delinquent property taxes	(4,166)
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Change in net position of governmental activities	\$ 1,132,822
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City of Oak Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual	
Revenues			
Property taxes	\$ 2,800,000	\$ 2,759,615	\$ (40,385)
Special assessments	5,000	-	(5,000)
Licenses and permits	195,700	394,712	199,012
Intergovernmental	200,181	305,450	105,269
Charges for services	5,000	24,693	19,693
Fines and forfeitures	20,000	19,964	(36)
Miscellaneous			
Investment income	9,000	38,450	29,450
Contributions and donations	-	23,793	23,793
Other	20,000	5,115	(14,885)
Total revenues	<u>3,254,881</u>	<u>3,571,792</u>	<u>316,911</u>
Expenditures			
Current			
General government	911,849	973,192	61,343
Public safety	1,441,146	1,601,127	159,981
Public works	603,116	680,291	77,175
Parks and recreation	81,270	80,155	(1,115)
Capital outlay			
General government	-	6,180	6,180
Public safety	65,500	30,129	(35,371)
Public works	152,000	83,623	(68,377)
Total expenditures	<u>3,254,881</u>	<u>3,454,697</u>	<u>199,816</u>
Excess of revenues over (under) expenditures	-	117,095	117,095
Other financing sources (uses)			
Proceeds from sale of capital asset	-	39,694	39,694
Net change in fund balance	<u>\$ -</u>	<u>156,789</u>	<u>\$ 156,789</u>
Fund Balance			
Beginning of year		<u>1,602,937</u>	
End of year		<u>\$ 1,759,726</u>	

City of Oak Grove
Statement of Net Position - Proprietary Funds
December 31, 2023

	Sewer - Lake George (611)	Sewer - The Ponds (612)	Water - Lake George (621)
Assets			
Current assets			
Cash and cash equivalents	\$ 765,272	\$ 218,699	\$ 37,366
Accounts receivable	7,836	42,794	5,140
Special assessment receivable			
Unremitted	339	-	-
Delinquent	3,424	339	-
Deferred	30,663	7,134	-
Due from other funds	63,178	-	-
Prepaid items	650	132	715
Total current assets	<u>871,362</u>	<u>269,098</u>	<u>43,221</u>
Noncurrent assets			
Advances to other funds - due after one year	150,500	-	-
Capital assets			
Land	1,521	-	-
Buildings and improvements	16,276	-	-
Machinery and equipment	43,557	-	12,745
Infrastructure	2,922,551	2,453,617	836,072
Total capital assets	<u>2,983,905</u>	<u>2,453,617</u>	<u>848,817</u>
Less accumulated depreciation	<u>(2,261,193)</u>	<u>(1,371,044)</u>	<u>(384,083)</u>
Net capital assets	<u>722,712</u>	<u>1,082,573</u>	<u>464,734</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pension activity	<u>8,077</u>	<u>83</u>	<u>2,506</u>
Total assets and deferred outflows of resources	<u>\$ 1,752,651</u>	<u>\$ 1,351,754</u>	<u>\$ 510,461</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,636	\$ -	\$ 920
Salaries and benefits payable	736	-	245
Interest payable	989	-	-
Due to other funds	-	30,100	33,078
Due to other governments	-	24,830	-
Amount due within one year	25,000	-	-
Total current liabilities	<u>28,361</u>	<u>54,930</u>	<u>34,243</u>
Noncurrent liabilities			
Advances from other funds	-	150,500	-
Note from direct borrowing	158,000	-	-
Less amount due within one year	(25,000)	-	-
Net pension liability	25,415	262	7,885
Total noncurrent liabilities	<u>158,415</u>	<u>150,762</u>	<u>7,885</u>
Total liabilities	<u>186,776</u>	<u>205,692</u>	<u>42,128</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension activity	<u>7,927</u>	<u>82</u>	<u>2,459</u>
Net Position			
Net investment in capital assets	564,712	1,082,573	464,734
Unrestricted	993,236	63,407	1,140
Total net position	<u>1,557,948</u>	<u>1,145,980</u>	<u>465,874</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,752,651</u>	<u>\$ 1,351,754</u>	<u>\$ 510,461</u>

See notes to basic financial statements.

Water - The Ponds (622)	Street Light (601)	Total Proprietary Funds
\$ 306,494	\$ 99,894	\$ 1,427,725
12,396	3,849	72,015
339	-	678
-	348	4,111
7,134	2,410	47,341
-	-	63,178
208	-	1,705
<u>326,571</u>	<u>106,501</u>	<u>1,616,753</u>
-	-	150,500
-	-	1,521
-	-	16,276
8,464	-	64,766
<u>802,300</u>	<u>-</u>	<u>7,014,540</u>
810,764	-	7,097,103
(334,993)	-	(4,351,313)
<u>475,771</u>	<u>-</u>	<u>2,745,790</u>
2,486	-	13,152
<u>\$ 804,828</u>	<u>\$ 106,501</u>	<u>\$ 4,526,195</u>
\$ -	\$ -	\$ 2,556
301	-	1,282
-	-	989
-	-	63,178
12,199	-	37,029
-	-	25,000
<u>12,500</u>	<u>-</u>	<u>130,034</u>
-	-	150,500
-	-	158,000
-	-	(25,000)
7,822	-	41,384
<u>7,822</u>	<u>-</u>	<u>324,884</u>
<u>20,322</u>	<u>-</u>	<u>454,918</u>
2,440	-	12,908
475,771	-	2,587,790
306,295	106,501	1,470,579
<u>782,066</u>	<u>106,501</u>	<u>4,058,369</u>
<u>\$ 804,828</u>	<u>\$ 106,501</u>	<u>\$ 4,526,195</u>

City of Oak Grove
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2023

	Sewer - Lake George (611)	Sewer - The Ponds (612)	Water - Lake George (621)	Water - The Ponds (622)
Operating Revenues				
Charges for services	\$ 102,036	\$ 208,948	\$ 44,631	\$ 176,009
Permits, hookup fees and penalties	150	-	-	-
Miscellaneous operating revenues	-	-	-	490
Total operating revenues	<u>102,186</u>	<u>208,948</u>	<u>44,631</u>	<u>176,499</u>
Operating Expenses				
Wages and salaries	33,493	337	10,422	10,337
Employee benefits	12,058	720	3,169	3,708
Materials and supplies	9,343	491	4,924	998
Water purchases	-	-	-	156,171
Repairs and maintenance	34,862	-	949	360
Professional services	-	36	-	-
Insurance	894	-	1,532	-
Utilities	4,536	150,082	4,166	23
Depreciation	47,146	47,063	27,236	16,046
Miscellaneous	-	194	760	771
Total operating expenses	<u>142,332</u>	<u>198,923</u>	<u>53,158</u>	<u>188,414</u>
Operating income (loss)	(40,146)	10,025	(8,527)	(11,915)
Nonoperating Revenues (Expenses)				
Investment income	37,928	11,105	1,348	12,560
Special assessments	1,354	(3,140)	-	(3,140)
Connection charges	3,500	4,284	-	3,500
Miscellaneous revenue	2,107	50	-	-
Miscellaneous expense	-	-	-	(83)
Interest expense	(2,926)	(2,107)	-	-
Total nonoperating revenues (expenses)	<u>41,963</u>	<u>10,192</u>	<u>1,348</u>	<u>12,837</u>
Change in net position	1,817	20,217	(7,179)	922
Net Position				
Beginning of year	<u>1,556,131</u>	<u>1,125,763</u>	<u>473,053</u>	<u>781,144</u>
End of year	<u>\$ 1,557,948</u>	<u>\$ 1,145,980</u>	<u>\$ 465,874</u>	<u>\$ 782,066</u>

Street Light (601)	Total Proprietary Funds
\$ 10,240	\$ 541,864
-	150
-	490
<u>10,240</u>	<u>542,504</u>
-	54,589
-	19,655
-	15,756
-	156,171
-	36,171
-	36
-	2,426
4,994	163,801
-	137,491
(25)	1,700
<u>4,969</u>	<u>587,796</u>
5,271	(45,292)
4,755	67,696
167	(4,759)
-	11,284
-	2,157
-	(83)
-	(5,033)
<u>4,922</u>	<u>71,262</u>
10,193	25,970
<u>96,308</u>	<u>4,032,399</u>
<u>\$ 106,501</u>	<u>\$ 4,058,369</u>

City of Oak Grove
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2023

	Sewer - Lake George (611)	Sewer - The Ponds (612)	Water - Lake George (621)	Water - The Ponds (622)
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 103,271	\$ 193,751	\$ 43,121	\$ 179,818
Payments to suppliers	(57,123)	(138,376)	(11,615)	(152,265)
Payments to employees	(46,455)	(841)	(12,883)	(12,775)
Net cash flows - operating activities	<u>(307)</u>	<u>54,534</u>	<u>18,623</u>	<u>14,778</u>
Cash Flows - Noncapital Financing Activities				
Miscellaneous expense	-	-	-	(83)
Miscellaneous revenue	2,107	50	-	-
Payment of advances to/from other funds	30,100	(30,100)	-	-
Net cash flows - noncapital financing activities	<u>32,207</u>	<u>(30,050)</u>	<u>-</u>	<u>(83)</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(25,000)	-	-	-
Interest paid on debt	(3,100)	(2,107)	-	-
Special assessments	9,080	(1,062)	-	(1,062)
Connection charges	3,500	4,284	-	3,500
Acquisition of capital assets	(28,056)	-	-	-
Net cash flows - capital and related financing activities	<u>(43,576)</u>	<u>1,115</u>	<u>-</u>	<u>2,438</u>
Cash Flows - Investing Activities				
Interest and dividends received	37,928	11,105	1,348	12,560
Net change in cash and cash equivalents	26,252	36,704	19,971	29,693
Cash and Cash Equivalents				
January 1	<u>739,020</u>	<u>181,995</u>	<u>17,395</u>	<u>276,801</u>
December 31	<u>\$ 765,272</u>	<u>\$ 218,699</u>	<u>\$ 37,366</u>	<u>\$ 306,494</u>
Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ (40,146)	\$ 10,025	\$ (8,527)	\$ (11,915)
Adjustments to reconcile operating gain (loss) to net cash flows				
Operating activities:				
Depreciation expense	47,146	47,063	27,236	16,046
Pension related activity	3,617	216	697	1,203
Accounts receivable	1,085	(15,197)	(1,510)	3,319
Prepaid items	74	45	16	(95)
Accounts payable	(7,562)	(3)	700	(3)
Due to other governmental units	-	12,385	-	6,156
Salaries payable	(4,521)	-	11	67
Total adjustments	<u>39,839</u>	<u>44,509</u>	<u>27,150</u>	<u>26,693</u>
Net cash flows - operating activities	<u>\$ (307)</u>	<u>\$ 54,534</u>	<u>\$ 18,623</u>	<u>\$ 14,778</u>

Street Light (601)	Total Proprietary Funds
\$ 13,959	\$ 533,920
(5,478)	(364,857)
-	(72,954)
<u>8,481</u>	<u>96,109</u>
-	(83)
-	2,157
-	-
-	<u>2,074</u>
-	(25,000)
-	(5,207)
539	7,495
-	11,284
-	<u>(28,056)</u>
<u>539</u>	<u>(39,484)</u>
<u>4,755</u>	<u>67,696</u>
13,775	126,395
<u>86,119</u>	<u>1,301,330</u>
<u>\$ 99,894</u>	<u>\$ 1,427,725</u>
\$ 5,271	\$ (45,292)
-	137,491
-	5,733
3,719	(8,584)
-	40
(509)	(7,377)
-	18,541
-	(4,443)
<u>3,210</u>	<u>141,401</u>
<u>\$ 8,481</u>	<u>\$ 96,109</u>

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City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Oak Grove (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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

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

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

Joint Ventures and Jointly Governed Organizations - The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The Oak Grove Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Oak Grove EDA is reported as if it were part of the primary government because the Commissioners consist of the Mayor and each member of the City Council. Each Commissioner's term coincides with their term as Mayor or member of the City Council.

2. Joint Ventures and Jointly Governed Organizations

a. The Upper Rum River Watershed Management Organization (URRWMO)

The Upper Rum River Watershed Management Organization (URRWMO) is a joint powers organization including the Cities of St. Francis, Oak Grove, Nowthen, Bethel, and portions of the City of East Bethel. A small corner of the City of Ham Lake also falls within the URRWMO. The URRWMO Board is made up of representatives from each of these cities and townships. The organization seeks to maintain the quality of area lakes, rivers, streams, groundwater, and other water resources across municipal boundaries. During 2023, the City made payments of \$11,769 to the organization. Additional financial information can be obtained in the URRWMO's annual reports, which are available at <http://www.urrwmo.org/watershed-plans-reports>.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

2. Joint Ventures and Jointly Governed Organizations (Continued)

b. Anoka County Fire Protection Council (ACFPC)

The Anoka County Fire Protection Council (ACFPC) is a joint powers organization including the Cities of Andover, Anoka, Bethel, Blaine, Centerville, Champlin, Circle Pines, Columbia Heights, Coon Rapids, East Bethel, Fridley, Ham Lake, Hilltop, Lexington, Lino Lakes, Mounds View, Nowthen, Oak Grove, Ramsey, Spring Lake Park, St. Francis, and the Township of Linwood. The ACFPC Board is made up of two joint decision-making bodies: Fire Chief Directors for day-to-day operations and programmatic decisions and Elected Official Directors for major financial decisions of ACFPC, which is defined as expenditures totaling \$50,000 or more. The purpose of ACFPC is to join together to improve the efficiency and effectiveness of fire and emergency services to the public within the geographic service area of the Members. Specifically, ACFPC will cooperatively address the Members' long term needs for fire-fighting and emergency equipment, fire records data systems, fire-fighter and EMS training, fire prevention, fire inspection, fire related public education, and other fire and emergency related essentials. Each Member shall pay an annual fee as well as pay its percentage share of ACFPC's annual expenses. During 2023, the City made payments of \$7,893 to the organization.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus Basis, of Accounting, and Financial Statement Presentation

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflow of resources.

Description of Funds:

Major Governmental Funds:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Major Governmental Funds: (Continued)

American Rescue Plan Fund - This fund is used to account for funds from the American Rescue Plan set aside for use on eligible federal expenditures.

Asset Replacement Fund - This fund is used to account for funds set aside primarily from taxes and used for the replacement of the City's capital assets.

Road Improvement Fund - This fund is used to account for funds set aside from property taxes for the construction and seal coating of City roads.

MSA Construction Fund - This fund is used to account for funds set aside related to the Municipal State Aid Street program and the related construction activity.

Developer Escrow Fund - This fund is used to account for the developers' escrow funds.

Taxable G.O. Tax Increment Bonds Series 2007B - This fund is used to collect resources for, and make payments on, this bond.

Proprietary Funds:

Sewer - Lake George Fund - This fund is used to account for the activities related to the operation of the Lake George sewer distribution system.

Sewer - The Ponds Fund - This fund is used to account for the activities related to the operation of The Ponds sewer distribution system.

Water - Lake George Fund - This fund accounts for the operations of the City's water utility in the Lake George area.

Water - The Ponds Fund - This fund accounts for the operations of the City's water utility in The Ponds.

Street Light Fund - This fund accounts for the operations of the City's street light utility.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City as well as charges between the City's utility functions and various other functions of the City.

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, and Street Light Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Deposits and Investments

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Property Taxes

The City Council annually adopts a tax levy and certifies it to Anoka County (the "County") in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

3. 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 *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms 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.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Special Assessments (Continued)

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. Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as noted on the table below and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has not reported infrastructure for all streets and bridges, etc. retroactively. The City reports as street infrastructure only those streets financed by assessments since Oak Grove became a city in 1993. Donated capital assets are recorded at acquisition value at the date of donation.

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

<u>Assets</u>	<u>Threshold</u>
Land/land improvements	\$ 10,000
Buildings and improvements	25,000
Machinery and equipment	1,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Building improvements	5-30
Wastewater sewer systems	25-50
Streets	25-50
Vehicles and equipment	3-50
Furniture	15
Office equipment	7-15
Park improvements	10-30

6. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Funds Balance Sheet as unavailable revenue and grants for subsequent years.

The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Pensions

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

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In July 2007, the City's policy was amended to a paid time off (PTO) leave policy where vacation and sick were combined into one type of leave pay. All compensatory pay and PTO benefits that are vested as severance pay are accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive extended medical benefits (EMB).

All compensated absences pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to.

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the year the bond is issued. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance

a. Classification

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

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

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unrestricted fund balance of an amount not less than 40% of the next year's budgeted expenditures of the General Fund.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

13. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and the Oak Grove EDA Special Revenue Fund. Budgeted expenditure appropriations lapse at year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital project funds.

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

1. The City's Consulting Finance Manager submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the County by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 20 of each year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Oak Grove EDA Special Revenue Fund.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the department level. For management purposes, budgetary control is maintained within the department level. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean it will be spent. The budget process is flexible in that, where the need has been properly demonstrated, the City Administrator can make an adjustment within the department budget. Therefore, there is a constant review process, and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

Both the original and final budgeted amounts as adopted by the City Council are presented in the basic financial statements. Revenues exceeding budgeted amounts are sometimes used for supplemental appropriations during the year. Neither the revenue nor the expenditure budget is adjusted to reflect these items. The City did not make any supplemental appropriations during the year. Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The American Rescue Plan major fund had a deficit fund balance of \$4,537 at December 31, 2023. The MSA Construction major fund had a deficit fund balance of \$223,334 at December 31, 2023. The Developer Escrow major fund had a deficit fund balance of \$14,717 at December 31, 2023. The Taxable G.O. Tax Increment Bonds Series 2007B major fund had a deficit fund balance of \$547,386 at December 31, 2023.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2023, the City's bank balance of \$3,215,082 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2023, was as follows:

Checking accounts	\$	1,897,479
Certificates of deposit		955,700
Total	\$	2,853,179

B. Investments

Investment Type	Fair Value	Investment Maturities	
		Less than 1 Year	1-5 Years
4M Fund	\$ 2,401,218	\$ 2,401,218	\$ -
4M Plus Fund	2,053,310	2,053,310	-
Brokered Certificates of Deposit	489,232	-	489,232
Government Securities	741,163	741,163	-
Total	\$ 5,684,923	\$ 5,195,691	\$ 489,232

Concentration of Credit Risk: The City's investment policy states the City will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's objective relating to interest rate risk is to mitigate declines in market value of investments due to changes in interest rates. The policy states the "prudent investor" standard of judgment should be used by those making investment decisions. The policy calls for diversity in type and maturity in order to achieve market rate of return and prevent loss.

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

The City has the following recurring fair value measurements as of December 31, 2023:

- ◆ \$1,230,395 are valued using various market and industry inputs (Level 2 inputs)

Remaining investments are presented at Net Asset Value.

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2023, were as follows:

Deposits (Note 3.A.)	\$ 2,853,179
Investments (Note 3.B.)	<u>5,684,923</u>
Total	<u>\$ 8,538,102</u>

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u>\$ 8,538,102</u>

City of Oak Grove
Notes to Basic Financial Statements

NOTE 4 - INTERFUND ACTIVITY

A. Interfund Receivables and Payables

At December 31, 2023, the composition of interfund balances was as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
Sewer - Lake George	\$ 63,178	\$ -
Water - Lake George	-	33,078
Sewer - The Ponds	-	30,100
Road Improvement Capital Projects Fund	167,504	-
MSA Construction Capital Projects Fund	-	167,504
Taxable G.O. Tax Increment Bonds Series 2007B Debt Service Fund	-	96
Other Nonmajor Governmental Funds	96	-
Total	<u>\$ 230,778</u>	<u>\$ 230,778</u>

The due to/due from balances payable are short-term borrowings to cover negative cash balances at the end of the year along with the amounts due within one year related to the interfund loan noted below.

Fund Type and Fund	Advance from Other Funds	Advance to Other Funds
Taxable G.O. Tax Increment Bonds Series 2007B Debt Service Fund	\$ 548,965	\$ -
Road Improvement Capital Projects Fund	-	548,965
Sewer - The Ponds	150,500	-
Sewer - Lake George	-	150,500
Total	<u>\$ 699,465</u>	<u>\$ 699,465</u>

The advances were made to pay off outstanding bond principal and interest and to provide resources for utility billing. The interfund loan of \$548,965 is repayable solely from, and to the extent, that tax increment financing is available and is forgivable if tax increments are not sufficient to repay the loan by the decertification date of the TIF District.

B. Interfund Transfers

Transfers during the year ended December 31, 2023, were as follows:

Transfers In	Transfers Out	Amount	Description
Road Improvement	Asset Replacement	\$ 100,000	For future road improvement projects

City of Oak Grove
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,817,139	\$ -	\$ 55,553	\$ 1,761,586
Capital assets being depreciated				
Buildings and improvements	3,120,057	-	-	3,120,057
Furniture and fixtures	102,589	-	-	102,589
Machinery and equipment	5,951,481	281,051	26,628	6,205,904
Infrastructure	21,879,373	1,337,032	-	23,216,405
Total capital assets being depreciated	<u>31,053,500</u>	<u>1,618,083</u>	<u>26,628</u>	<u>32,644,955</u>
Less accumulated depreciation for				
Buildings and improvements	1,881,765	77,815	-	1,959,580
Furniture and fixtures	73,175	2,568	-	75,743
Machinery and equipment	3,866,195	284,655	26,628	4,124,222
Infrastructure	11,198,581	714,116	-	11,912,697
Total accumulated depreciation	<u>17,019,716</u>	<u>1,079,154</u>	<u>26,628</u>	<u>18,072,242</u>
Total capital assets being depreciated, net	<u>14,033,784</u>	<u>538,929</u>	<u>-</u>	<u>14,572,713</u>
Governmental activities capital assets, net	<u>\$ 15,850,923</u>	<u>\$ 538,929</u>	<u>\$ 55,553</u>	<u>\$ 16,334,299</u>

City of Oak Grove
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,521	\$ -	\$ -	\$ 1,521
Capital assets being depreciated				
Buildings and improvements	16,276	-	-	16,276
Machinery and equipment	36,710	28,056	-	64,766
Infrastructure	7,014,540	-	-	7,014,540
Total capital assets being depreciated	<u>7,067,526</u>	<u>28,056</u>	<u>-</u>	<u>7,095,582</u>
Less accumulated depreciation for				
Buildings and improvements	4,883	326	-	5,209
Machinery and equipment	31,994	3,330	-	35,324
Infrastructure	4,176,945	133,835	-	4,310,780
Total accumulated depreciation	<u>4,213,822</u>	<u>137,491</u>	<u>-</u>	<u>4,351,313</u>
Total capital assets being depreciated, net	<u>2,853,704</u>	<u>(109,435)</u>	<u>-</u>	<u>2,744,269</u>
Business-type activities capital assets, net	<u>\$ 2,855,225</u>	<u>\$ (109,435)</u>	<u>\$ -</u>	<u>\$ 2,745,790</u>

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

Governmental activities	
General government	\$ 32,139
Public safety	199,924
Public works	813,124
Parks and recreation	<u>33,967</u>
Total depreciation expense - governmental activities	<u>\$ 1,079,154</u>

City of Oak Grove
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Business-type activities	
Sewer - Lake George	\$ 47,146
Sewer - The Ponds	47,063
Water - Lake George	27,236
Water - The Ponds	<u>16,046</u>
Total depreciation expense - business activities	<u>\$ 137,491</u>

NOTE 6 - LONG-TERM DEBT

A. General Obligation Bonds

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

G.O. bonds and notes are direct obligations and pledge the full faith and credit of the City.

B. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental activities						
G.O. Improvement Note						
Series 2022A	09/12/22	3.00%	\$ 350,000	02/01/33	\$ 350,000	\$ 26,000
Compensated absences	N/A	N/A	N/A	N/A	<u>58,985</u>	<u>51,560</u>
Total governmental activities					<u>\$ 408,985</u>	<u>\$ 77,560</u>
Business-type activities						
G.O. PFA Sewer Revenue Note						
Series 2010A	04/20/10	1.69%	\$ 490,429	08/20/29	<u>\$ 158,000</u>	<u>\$ 25,000</u>

On April 1, 2010, the City entered into a loan agreement for the G.O. PFA Sewer Revenue Note for \$490,429 with the Minnesota Public Facilities Authority (PFA), with an interest rate of 1.694%. The first interest payment on the note was due August 20, 2010, and semi-annually on February 20 and August 20, thereafter. Principal on the note will be due on August 20 in the years 2010 through 2029. The note financed improvements to the City's wastewater treatment system to connect the Northeast Treatment System to the West Treatment System and to eliminate the Northeast Treatment System. The note is to be repaid from net revenues of the sewer system and special assessments levied on property specially benefited from the improvements. Should net revenues and assessments be insufficient to pay principal and interest when due, the City agrees to levy an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

On September 12, 2022, the City entered into a loan agreement for the G.O. Improvement Note for \$350,000 with the Minnesota Rural Water Association, with an interest rate of 3.00%. The first interest payment on the note will be due August 1, 2023, and semi-annually on February 1 and August 1, thereafter. Principal on the note will be due on February 1 in the years 2024 through 2033.

C. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Note from direct borrowing	\$ 350,000	\$ -	\$ -	\$ 350,000
Compensated absences	61,318	53,671	56,004	58,985
	<u>411,318</u>	<u>53,671</u>	<u>56,004</u>	<u>408,985</u>
Total governmental activities long-term liabilities	<u>\$ 411,318</u>	<u>\$ 53,671</u>	<u>\$ 56,004</u>	<u>\$ 408,985</u>
Business-type activities				
Note from direct borrowing	\$ 183,000	\$ -	\$ 25,000	\$ 158,000
	<u>183,000</u>	<u>-</u>	<u>25,000</u>	<u>158,000</u>

The General Fund typically liquidates the liability related to compensated absences.

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Note from direct borrowing		Note from direct borrowing	
	Principal	Interest	Principal	Interest
2024	\$ 26,000	\$ 10,110	\$ 25,000	\$ 2,676
2025	31,000	9,255	26,000	2,253
2026	32,000	8,310	26,000	1,813
2027	34,000	7,320	27,000	1,372
2028	35,000	6,285	27,000	915
2029-2033	192,000	14,790	27,000	457
	<u>350,000</u>	<u>56,070</u>	<u>158,000</u>	<u>9,486</u>
Total	<u>\$ 350,000</u>	<u>\$ 56,070</u>	<u>\$ 158,000</u>	<u>\$ 9,486</u>

City of Oak Grove
Notes to Basic Financial Statements

NOTE 7 - FUND BALANCES/NET POSITION

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	American Rescue Plan Fund	Asset Replacement Fund	Road Improvement Fund	MSA Construction Fund	Developer Escrow Fund	Taxable G.O. Tax Increment Bonds Series 2007B Fund	Nonmajor Governmental Funds	Total
Nonspendable									
Prepaid items	\$ 48,669	\$ 890,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656	\$ 939,626
Restricted									
Debt service	-	-	-	-	-	-	-	196,109	196,109
Cable TV - PEG	-	-	-	-	-	-	-	5,826	5,826
Public safety	-	-	394,237	-	-	-	-	-	394,237
Park redevelopment	-	-	-	-	-	-	-	694,140	694,140
Committed									
Recycling services	-	-	-	-	-	-	-	137,096	137,096
EDA	-	-	-	-	-	-	-	237,370	237,370
Assigned									
Asset replacement	-	-	2,797,733	-	-	-	-	-	2,797,733
Road construction/repair	-	-	-	1,014,691	-	-	-	-	1,014,691
Trail maintenance	-	-	-	-	-	-	-	20,615	20,615
Public benefit	-	-	-	-	-	-	-	103,495	103,495
Unassigned	1,711,057	(894,838)	-	-	(223,334)	(14,717)	(547,386)	-	30,782
Total fund balance	\$ 1,759,726	\$ (4,537)	\$ 3,191,970	\$ 1,014,691	\$ (223,334)	\$ (14,717)	\$ (547,386)	\$ 1,395,307	\$ 6,571,720

B. Net Position

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

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

The City's workers' compensation coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to LMCIT and is subject to supplemental assessments if deemed necessary by LMCIT. For workers compensation, the City enrolls with a state-certified managed care organization and has a \$500 deductible per occurrence to further decrease the cost of coverage. Final premiums are determined after an audit of payroll subsequent to the close of the agreement year and are subject to revisions in rates, payrolls, and experience modification. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 8 - RISK MANAGEMENT (CONTINUED)

At December 31, 2023, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 - PENSION PLANS

The city participates in various pension plans. Total pension expense for the year ended December 31, 2023, was \$37,504. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$49,128. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$514,454 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 \$14,101.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 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 0.0092% at the end of the measurement period and 0.0088% for the beginning of the period.

City's proportionate share of net pension liability	\$	514,454
State of Minnesota's proportionate share of the net pension liability associated with the City		14,101
Total		\$ 528,555

For the year ended December 31, 2023, the City recognized pension expense of \$101,437 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$78,260 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 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	\$ 16,718	\$ 3,274
Net difference between projected and actual investment earnings	-	16,172
Changes in proportion	45,155	-
Changes in actuarial assumptions	77,054	141,008
Contributions paid to PERA subsequent to the measurement date	24,564	-
Total	\$ 163,491	\$ 160,454

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$24,564 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 inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2024	\$ 34,512
2025	(61,946)
2026	17,067
2027	<u>(11,160)</u>
Total	<u>\$ (21,527)</u>

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u>100.0 %</u>	

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. 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 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 positions of the General Employees Plan 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 Oak Grove
Notes to Basic Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 910,110	\$ 514,454	\$ 189,011

I. Pension Plan Fiduciary Net Position

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

Public Employees Defined Contribution Plan

Council members of the City of Oak Grove are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes* Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,106	\$ 1,106	5.0%	5.0%	5.0%

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Fire Fighter's Relief Association

A. Plan Description

The Oak Grove Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. The plan is established and administered in accordance with *Minnesota Statutes* Chapter 353G.

B. Benefits Provided

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

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. The State of Minnesota contributed \$72,407 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2023, were \$0. In addition, the City made voluntary contributions of \$10,000 to the plan.

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Fire Fighter's Relief Association

D. Pension Costs

At December 31, 2023, the City reported a net pension liability of \$58,068 for the Volunteer Firefighter Fund. The net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The table on the following page presents the changes in net pension liability during the year.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2023	\$ 1,865,241	\$ 2,102,884	\$ (237,643)
Changes for the year			
Service cost	54,120	-	54,120
Interest on pension liability	109,161	-	109,161
Actuarial experience (gains)/losses	(77,591)	-	(77,591)
Projected investment earnings	-	-	-
Contributions (employer)	-	26,000	(26,000)
Contributions (State)	-	65,561	(65,561)
Net investment income	-	(299,899)	299,899
Benefit payouts	(200,000)	(200,000)	-
Administrative costs	-	(1,683)	1,683
Net charges	(114,310)	(410,021)	295,711
Balances at December 31, 2023	\$ 1,750,931	\$ 1,692,863	\$ 58,068

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Fire Fighter's Relief Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of (\$41,862). At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 88,262
Difference between projected and actual investment earnings	200,878	-
Subsequent contributions	82,407	-
Total	\$ 283,285	\$ 88,262

The \$82,407 reported as deferred outflows of resources related to pensions resulting from City and State contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

2024		\$ (25,167)
2025		16,260
2026		51,827
2027		69,696
Total		\$ 112,616

E. Actuarial Assumptions

The total pension liability at December 31, 2022, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at the later of age 50 or 20 years of service	
Discount rate	6.0 %
Investment rate of return	6.0 %

There were no changes in actuarial assumptions in 2022.

**City of Oak Grove
Notes to Basic Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Fire Fighter's Relief Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Current Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net pension liability (asset)	\$ 93,813	\$ 58,068	\$ 23,890

H. Plan Investments

Investment Policy

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

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes* Chapter 11A and Chapter 353G.

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

City of Oak Grove
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Fire Fighter's Relief Association (Continued)

H. Plan Investments (Continued)

Asset Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	35 %	5.10 %
International stocks	15	5.30
Bonds	45	0.75
Cash	<u>5</u>	0.00
Total	<u><u>100 %</u></u>	

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

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

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2022, is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0092%	\$ 514,454	\$ 14,101	\$ 528,555	\$ 728,987	70.57%	83.10%
2022	0.0088%	696,963	20,302	717,265	657,640	105.98%	76.67%
2021	0.0085%	362,998	11,136	374,134	614,667	59.06%	87.00%
2020	0.0075%	449,532	13,989	463,521	537,253	83.67%	79.06%
2019	0.0088%	486,532	15,166	501,698	622,413	78.17%	80.23%
2018	0.0084%	465,998	15,152	481,150	562,520	82.84%	79.53%
2017	0.0081%	517,099	6,483	523,582	520,307	99.38%	75.90%
2016	0.0089%	722,636	9,421	732,057	549,613	133.19%	68.91%
2015	0.0088%	456,062	-	456,062	506,027	90.13%	78.19%

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

**City of Oak Grove
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 49,128	\$ 49,128	\$ -	\$ 655,040	7.50%
2022	53,565	53,565	-	714,200	7.50%
2021	47,854	47,854	-	638,053	7.50%
2020	43,424	43,424	-	578,987	7.50%
2019	43,938	43,938	-	585,840	7.50%
2018	44,259	44,259	-	590,120	7.50%
2017	38,801	38,801	-	517,347	7.50%
2016	41,547	41,547	-	553,960	7.50%
2015	40,990	40,990	-	546,533	7.50%

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

City of Oak Grove
Schedule of Changes in Net Pension Liability - Fire Relief Association -
General Employees Retirement Fund
Last Ten Years*

	2014	2015	2016	2017
Total pension liability (TPL)				
Service cost	\$ 33,594	\$ 33,188	\$ 34,114	\$ 32,002
Interest on the pension liability	56,739	60,994	63,286	65,079
Actuarial experience (gains)/losses	40,177	(24,072)	1,457	(23,035)
Changes in benefit level	-	-	-	-
Benefit payments	(68,742)	(37,542)	(40,212)	(93,500)
Net change in TPL	<u>61,768</u>	<u>32,568</u>	<u>58,645</u>	<u>(19,454)</u>
TPL - beginning	<u>946,415</u>	<u>1,008,183</u>	<u>1,040,751</u>	<u>1,099,396</u>
TPL - ending	<u>\$ 1,008,183</u>	<u>\$ 1,040,751</u>	<u>\$ 1,099,396</u>	<u>\$ 1,079,942</u>
Plan fiduciary net position (PFNP)				
First state aid	\$ 33,176	\$ 35,691	\$ 36,355	\$ 36,270
Fire supplemental aid	8,027	8,733	8,819	8,776
Supplemental benefit reimbursement	-	1,000	-	3,000
Voluntary municipal contribution	9,466	10,000	10,000	14,000
Required municipal contribution	1,149	-	-	-
Adjustment to initial asset transfer	33,099	-	-	-
Net investment income	76,635	1,659	113,727	179,824
PERA administrative fee	(1,380)	(1,560)	(1,530)	(1,260)
Auditor/accounting fee	(6,385)	-	-	-
SBI investment fee	-	(42)	(99)	(85)
Benefit payments	(68,742)	(37,542)	(40,212)	(93,500)
Net change in PFNP	<u>85,045</u>	<u>17,939</u>	<u>127,060</u>	<u>147,025</u>
PFNP - beginning	<u>1,167,499</u>	<u>1,252,544</u>	<u>1,270,482</u>	<u>1,397,542</u>
PFNP - ending	<u>\$ 1,252,544</u>	<u>\$ 1,270,482</u>	<u>\$ 1,397,542</u>	<u>\$ 1,544,567</u>
Net pension liability/(asset) - ending	<u>\$ (244,361)</u>	<u>\$ (229,731)</u>	<u>\$ (298,146)</u>	<u>\$ (464,625)</u>
Plan fiduciary net position as a percentage of the total pension liability	124.2%	122.1%	127.1%	143.0%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available

2018	2019	2020	2021	2022
\$ 47,292	\$ 45,574	\$ 56,414	\$ 54,587	\$ 54,120
67,635	91,309	92,967	112,167	109,161
(3,900)	(15,278)	(28,622)	(19,477)	(77,591)
323,770	-	364,311	-	-
-	(76,978)	(132,671)	(193,801)	(200,000)
434,797	44,627	352,399	(46,524)	(114,310)
1,079,942	1,514,739	1,559,366	1,911,765	1,865,241
<u>\$ 1,514,739</u>	<u>\$ 1,559,366</u>	<u>\$ 1,911,765</u>	<u>\$ 1,865,241</u>	<u>\$ 1,750,931</u>
\$ 38,380	\$ 40,106	\$ 43,006	\$ 45,554	\$ 52,055
9,132	9,285	9,493	9,571	10,506
1,000	-	1,000	5,258	3,000
17,000	20,000	23,000	23,000	26,000
-	-	-	-	-
-	-	-	-	-
(60,846)	284,712	258,594	191,293	(299,899)
(1,560)	(1,620)	(1,620)	(1,560)	(1,560)
-	-	-	-	-
(90)	(99)	(108)	(114)	(123)
-	(76,978)	(132,671)	(193,801)	(200,000)
3,016	275,406	200,694	79,201	(410,021)
1,544,567	1,547,583	1,822,989	2,023,683	2,102,884
<u>\$ 1,547,583</u>	<u>\$ 1,822,989</u>	<u>\$ 2,023,683</u>	<u>\$ 2,102,884</u>	<u>\$ 1,692,863</u>
<u>\$ (32,844)</u>	<u>\$ (263,623)</u>	<u>\$ (111,918)</u>	<u>\$ (237,643)</u>	<u>\$ 58,068</u>
102.2%	116.9%	105.9%	112.7%	96.7%

City of Oak Grove
Notes to Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% 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 since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- ◆ The price inflation assumption was decreased from 2.5% to 2.25%.
- ◆ The payroll growth assumption was decreased from 3.25% to 3.0%.
- ◆ Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- ◆ Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- ◆ Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- ◆ Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- ◆ The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- ◆ The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

City of Oak Grove
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed spouse age difference was changed from two years older for females to one year older.
- ◆ The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**City of Oak Grove
Notes to Required Supplementary Information**

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**City of Oak Grove
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental
Assets				
Cash and investments	\$ 355,429	\$ 196,013	\$ 824,076	\$ 1,375,518
Due from other funds	-	96	-	96
Due from other governments	19,037	-	-	19,037
Special assessment receivable				
Deferred	-	161,489	-	161,489
Prepaid items	656	-	-	656
	<u>375,122</u>	<u>357,598</u>	<u>824,076</u>	<u>1,556,796</u>
Total assets	<u>\$ 375,122</u>	<u>\$ 357,598</u>	<u>\$ 824,076</u>	<u>\$ 1,556,796</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	161,489	-	161,489
	<u>-</u>	<u>161,489</u>	<u>-</u>	<u>161,489</u>
Fund Balances				
Nonspendable	656	-	-	656
Restricted	-	196,109	699,966	896,075
Committed	374,466	-	-	374,466
Assigned	-	-	124,110	124,110
Total fund balances	<u>375,122</u>	<u>196,109</u>	<u>824,076</u>	<u>1,395,307</u>
	<u>375,122</u>	<u>196,109</u>	<u>824,076</u>	<u>1,395,307</u>
Total deferred inflows of resources and fund balances	<u>\$ 375,122</u>	<u>\$ 357,598</u>	<u>\$ 824,076</u>	<u>\$ 1,556,796</u>

City of Oak Grove
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,000	\$ -	\$ 50,000	\$ 51,000
Special assessments	-	42,403	-	42,403
Intergovernmental	34,811	-	-	34,811
Charges for services	13,871	-	-	13,871
Miscellaneous				
Investment income	16,832	7,301	40,720	64,853
Contributions and donations	-	-	60,600	60,600
Total revenues	<u>66,514</u>	<u>49,704</u>	<u>151,320</u>	<u>267,538</u>
Expenditures				
Current				
General government	-	-	3,000	3,000
Sanitation	14,708	-	-	14,708
Parks and recreation				
Parks and recreation	-	-	20,994	20,994
Economic development	514	-	-	514
Debt service				
Interest and other charges	-	9,421	-	9,421
Capital outlay				
Parks and recreation	-	-	47,435	47,435
Total expenditures	<u>15,222</u>	<u>9,421</u>	<u>71,429</u>	<u>96,072</u>
Excess of revenues over expenditures	51,292	40,283	79,891	171,466
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	<u>1,255</u>	-	-	<u>1,255</u>
Net change in fund balances	52,547	40,283	79,891	172,721
Fund Balances				
Beginning of year	<u>322,575</u>	<u>155,826</u>	<u>744,185</u>	<u>1,222,586</u>
End of year	<u>\$ 375,122</u>	<u>\$ 196,109</u>	<u>\$ 824,076</u>	<u>\$ 1,395,307</u>

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SPECIAL REVENUE FUNDS

City of Oak Grove
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2023

	Special Revenue		
	Recycling Fund (202)	General Fund Oak Grove EDA (210)	Total Special Revenue Funds
Assets			
Cash and investments	\$ 118,059	\$ 237,370	\$ 355,429
Due from other governments	19,037	-	19,037
Prepaid items	656	-	656
Total assets	<u>\$ 137,752</u>	<u>\$ 237,370</u>	<u>\$ 375,122</u>
Fund Balances			
Nonspendable	\$ 656	\$ -	\$ 656
Committed	137,096	237,370	374,466
Total fund balances	<u>\$ 137,752</u>	<u>\$ 237,370</u>	<u>\$ 375,122</u>

City of Oak Grove
Combining Statement of Revenues, Expenditures,
and Changes In Fund Balances -
Nonmajor Special Revenue Funds
Year Ended December 31, 2023

	Special Revenue		Total Special Revenue Funds
	Recycling Fund (202)	General Fund Oak Grove EDA (210)	
Revenues			
Property taxes	\$ -	\$ 1,000	\$ 1,000
Intergovernmental	34,811	-	34,811
Charges for services	13,871	-	13,871
Miscellaneous			
Investment income	5,062	11,770	16,832
Total revenues	<u>53,744</u>	<u>12,770</u>	<u>66,514</u>
Expenditures			
Current			
Sanitation	14,708	-	14,708
Economic development	-	514	514
Total expenditures	<u>14,708</u>	<u>514</u>	<u>15,222</u>
Excess of revenues over expenditures	39,036	12,256	51,292
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	1,255	1,255
Net change in fund balances	39,036	13,511	52,547
Fund Balances			
Beginning of year	<u>98,716</u>	<u>223,859</u>	<u>322,575</u>
End of year	<u>\$ 137,752</u>	<u>\$ 237,370</u>	<u>\$ 375,122</u>

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DEBT SERVICE FUNDS

City of Oak Grove
Combining Balance Sheet -
Nonmajor Debt Service Funds
December 31, 2023

	Debt Service 2022A GO Note Debt Service (306)
Assets	
Cash and investments	\$ 196,013
Special assessment receivable:	
Deferred	161,489
Due from other funds	96
Total assets	\$ 357,598
Deferred inflows of resources	
Unavailable revenue - special assessments	\$ 161,489
Fund Balances	
Restricted	196,109
Total deferred inflows of resources and fund balances	\$ 357,598

City of Oak Grove
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2023

	Debt Service
	2022A GO
	Note Debt
	Service (306)
Revenues	
Special assessments	\$ 42,403
Miscellaneous	
Investment income	7,301
Total revenues	49,704
Expenditures	
Debt service	
Interest and other charges	9,421
Total expenditures	9,421
Excess of revenues over (under) expenditures	40,283
Fund Balances	
Beginning of year	155,826
End of year	\$ 196,109

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CAPITAL PROJECTS FUNDS

City of Oak Grove
 Combining Balance Sheet -
 Nonmajor Capital Projects Funds
 December 31, 2023

	Capital Projects		
	Trail Maintenance Fund (404)	Park Redevelopment Fund (207)	Cable TV Franchise Grant Fund (206)
Assets			
Cash and investments	\$ 20,615	\$ 694,140	\$ 5,826
Fund Balances			
Restricted	-	694,140	5,826
Assigned	20,615	-	-
Total fund balances	\$ 20,615	\$ 694,140	\$ 5,826

Capital
Projects

<u>Public Benefit Fund (208)</u>	<u>Total Capital Project Funds</u>
<u>\$ 103,495</u>	<u>\$ 824,076</u>
-	699,966
<u>103,495</u>	<u>124,110</u>
<u>\$ 103,495</u>	<u>\$ 824,076</u>

City of Oak Grove
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2023

	Capital Projects		
	Trail Maintenance Fund (404)	Park Redevelopment Fund (207)	Cable TV Franchise Grant Fund (206)
Revenues			
Property taxes	\$ 50,000	\$ -	\$ -
Miscellaneous			
Investment income	334	35,123	44
Contributions and donations	-	60,600	-
Total revenues	<u>50,334</u>	<u>95,723</u>	<u>44</u>
Expenditures			
Current			
General government	-	-	-
Park and recreation	16,972	4,022	-
Capital outlay			
Parks and recreation	-	47,435	-
Total expenditures	<u>16,972</u>	<u>51,457</u>	<u>-</u>
Excess of revenues over expenditures	33,362	44,266	44
Fund Balances			
Beginning of year	<u>(12,747)</u>	<u>649,874</u>	<u>5,782</u>
End of year	<u>\$ 20,615</u>	<u>\$ 694,140</u>	<u>\$ 5,826</u>

Capital
Projects

<u>Public Benefit Fund (208)</u>	<u>Total Capital Project Funds</u>
\$ -	\$ 50,000
5,219	40,720
-	60,600
<u>5,219</u>	<u>151,320</u>
3,000	3,000
-	20,994
-	47,435
<u>3,000</u>	<u>71,429</u>
2,219	79,891
<u>101,276</u>	<u>744,185</u>
<u>\$ 103,495</u>	<u>\$ 824,076</u>

City of Oak Grove
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 2,800,000	\$ 2,759,615	\$ (40,385)
Special assessments	5,000	-	(5,000)
Licenses and permits	195,700	394,712	199,012
Intergovernmental revenue			
MSA maintenance	200,181	200,714	533
Market value credit	-	3,503	3,503
PERA aid	-	1,920	1,920
Fire aid	-	96,813	96,813
Other grants and aids	-	2,500	2,500
Total intergovernmental revenue	<u>200,181</u>	<u>305,450</u>	<u>105,269</u>
Charges for services			
Public works	5,000	24,693	19,693
Fines and forfeitures	20,000	19,964	(36)
Miscellaneous revenues			
Investment income	9,000	38,450	29,450
Contributions and donations	-	23,793	23,793
Other	20,000	5,115	(14,885)
Total miscellaneous revenues	<u>29,000</u>	<u>67,358</u>	<u>38,358</u>
Total revenues	<u>3,254,881</u>	<u>3,571,792</u>	<u>316,911</u>
Expenditures			
General government			
Mayor and council			
Current	51,145	53,167	2,022
Administrative			
Current	435,114	408,739	(26,375)
Finance			
Current	232,622	291,823	59,201
Elections			
Current	2,000	2,144	144
Planning and zoning			
Current	46,302	69,370	23,068

City of Oak Grove
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
General government (Continued)			
Other general government			
Current	\$ 144,666	\$ 147,949	\$ 3,283
Capital outlay	-	6,180	6,180
Total other general government	<u>144,666</u>	<u>154,129</u>	<u>9,463</u>
Total general government	<u>911,849</u>	<u>979,372</u>	<u>67,523</u>
Public safety			
Police			
Current	832,633	799,707	(32,926)
Fire			
Current	448,513	522,130	73,617
Capital outlay	65,500	30,129	(35,371)
Total fire	<u>514,013</u>	<u>552,259</u>	<u>38,246</u>
Building and inspections			
Current	160,000	279,290	119,290
Total public safety	<u>1,506,646</u>	<u>1,631,256</u>	<u>124,610</u>
Public works			
Streets and highways			
Current			
Street maintenance	478,598	540,967	62,369
Snow and ice removal	90,711	98,533	7,822
Street engineering	20,000	26,333	6,333
Watershed	13,807	14,458	651
Total current	<u>603,116</u>	<u>680,291</u>	<u>77,175</u>
Capital outlay	152,000	83,623	(68,377)
Total public works	<u>755,116</u>	<u>763,914</u>	<u>8,798</u>
Parks and recreation			
Current	81,270	80,155	(1,115)
Total expenditures	<u>3,254,881</u>	<u>3,454,697</u>	<u>199,816</u>
Excess of revenues over (under) expenditures	-	117,095	117,095

City of Oak Grove
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Other financing sources (uses)			
Proceeds from sale of capital asset	\$ -	\$ 39,694	\$ 39,694
Net change in fund balance	<u>\$ -</u>	156,789	<u>\$ 156,789</u>
Fund Balance			
Beginning of year		<u>1,602,937</u>	
End of year		<u>\$ 1,759,726</u>	



**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***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Oak Grove
Oak Grove, 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 Oak Grove, Minnesota, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 15, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

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 result 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.

Bergan KDV, Ltd.

Minneapolis, Minnesota
April 15, 2024



Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Oak Grove
Oak Grove, 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 Oak Grove, Minnesota, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 15, 2024.

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

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

BerganKDV, Ltd.

Minneapolis, Minnesota
April 15, 2024