

TOWN OF SYLVAN, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022



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**TOWN OF SYLVAN, MINNESOTA
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YEAR ENDED DECEMBER 31, 2022**

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INTRODUCTORY SECTION

**TOWN OF SYLVAN, MINNESOTA
TOWN OFFICIALS
DECEMBER 31, 2022**

NAME	POSITION	TERM EXPIRES
Greg Booth	Chairperson	December 31, 2024
Bob Johnson	Vice-Chair	December 31, 2024
Keith Card	Supervisor	December 31, 2026
Greg Bennett	Supervisor	December 31, 2024
Arlene Schmit	Supervisor	December 31, 2026

APPOINTED

Jenna Ruggles	Clerk/Treasurer	N/A
Colleen Putnam	Deputy Clerk/Treasurer	N/A
Lydia Marohn	Assistant Deputy Clerk	N/A

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Town of Sylvan
Pillager, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Sylvan, Minnesota (the Town), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Sylvan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sylvan'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.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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

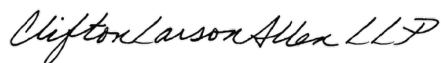
Accounting principles generally accepted in the United States of America require that the Schedule of the Town's Proportionate Share of the Net Pension Liability, the Schedule of the Town's Contributions, and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the introductory section but does not include the cash basis financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Brainerd, Minnesota
March 8, 2023

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BASIC FINANCIAL STATEMENTS

**TOWN OF SYLVAN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 801,352
Taxes Receivable:	
Current	12,575
Delinquent	22,124
Special Assessments Receivable:	
Current	19,828
Accounts Receivable	1,578
Prepaid Items	449
Total Current Assets	857,906
Capital Assets:	
Land	715,000
Right-to-Use Assets	7,942
Buildings	203,466
Machinery and Equipment	3,141
Infrastructure	2,435,752
Less: Accumulated Depreciation/Amortization	(969,194)
Net Capital Assets	2,396,107
Total Assets	3,254,013
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	26,025
Total Assets and Deferred Outflows of Resources	\$ 3,280,038
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 31,730
Due to Other Governments	1,062
Accrued Liabilities	5,835
Unearned Revenue	259,876
Compensated Absences Payable - Due Within One Year	5,733
Lease Liability - Due Within One Year	1,606
Total Current Liabilities	305,842
Long-Term Liabilities:	
Net Pension Liability	79,200
Lease Liability - Due in More Than One Year	4,768
Total Long-Term Liabilities	83,968
Total Liabilities	389,810
DEFERRED INFLOWS OF RESOURCES	
Pension Related	5,338
NET POSITION	
Net Investment in Capital Assets	2,389,733
Restricted for:	
Roads	522,242
Fire Protection	20,588
Culture and Recreation	37,012
Unrestricted	(84,685)
Total Net Position	2,884,890
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,280,038

See accompanying Notes to Basic Financial Statements.

**TOWN OF SYLVAN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government					
Governmental Activities:					
General Government	\$ 210,476	\$ 2,050	\$ 28,087	\$ 122	\$ (180,217)
Public Safety	98,775	-	-	-	(98,775)
Highways and Streets	531,220	13,900	8,343	65,501	(443,476)
Culture and Recreation	35,006	7,500	22,956	19	(4,531)
Interest on Long-Term Debt	173	-	-	-	(173)
	<u>\$ 875,650</u>	<u>\$ 23,450</u>	<u>\$ 59,386</u>	<u>\$ 65,642</u>	<u>(727,172)</u>
General Revenues:					
					725,191
					1,569
					1,567
					<u>728,327</u>
CHANGE IN NET POSITION					1,155
Net Position - Beginning of Year					<u>2,883,735</u>
NET POSITION - END OF YEAR					<u>\$ 2,884,890</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF SYLVAN, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2022**

	General Fund	Fire Protection Fund	Roads and Bridges Fund	Parks Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 238,494	\$ 16,475	\$ 509,317	\$ 37,066	\$ 801,352
Taxes Receivable:					
Current	2,345	1,546	8,684	-	12,575
Delinquent	4,204	2,655	15,265	-	22,124
Special Assessments Receivable:					
Current	-	-	19,828	-	19,828
Accounts Receivable	1,578	-	-	-	1,578
Prepaid Items	449	-	-	-	449
	<u>449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>449</u>
Total Assets	<u>\$ 247,070</u>	<u>\$ 20,676</u>	<u>\$ 553,094</u>	<u>\$ 37,066</u>	<u>\$ 857,906</u>
LIABILITIES					
Accounts Payable	\$ 2,340	\$ -	\$ 29,336	\$ 54	\$ 31,730
Due to Other Governments	829	-	233	-	1,062
Accrued Liabilities	4,464	88	1,283	-	5,835
Unearned Revenue	259,876	-	-	-	259,876
Total Liabilities	<u>267,509</u>	<u>88</u>	<u>30,852</u>	<u>54</u>	<u>298,503</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Taxes	4,204	2,655	15,265	-	22,124
Unavailable Special Assessments	-	-	19,828	-	19,828
Total Deferred Inflows of Resources	<u>4,204</u>	<u>2,655</u>	<u>35,093</u>	<u>-</u>	<u>41,952</u>
FUND BALANCE					
Nonspendable for Prepaid Items	449	-	-	-	449
Restricted for:					
Fire Protection	-	17,933	-	-	17,933
Roads and Bridges	-	-	487,149	-	487,149
Parks	-	-	-	37,012	37,012
Unassigned	(25,092)	-	-	-	(25,092)
Total Fund Balance	<u>(24,643)</u>	<u>17,933</u>	<u>487,149</u>	<u>37,012</u>	<u>517,451</u>
	<u>\$ 247,070</u>	<u>\$ 20,676</u>	<u>\$ 553,094</u>	<u>\$ 37,066</u>	<u>\$ 857,906</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 247,070</u>	<u>\$ 20,676</u>	<u>\$ 553,094</u>	<u>\$ 37,066</u>	<u>\$ 857,906</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF SYLVAN, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022**

Total Fund Balance for Governmental Funds \$ 517,451

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 715,000	
Right-to-Use Assets	7,942	
Buildings	203,466	
Machinery and Shop Equipment	3,141	
Infrastructure	2,435,752	
Less: Accumulated Depreciation/Amortization	(969,194)	2,396,107

Some of the Township's property taxes, special assessments, and other receivables will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 41,952

Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability		(79,200)
Deferred Inflows of Resources - Pension Related		(5,338)
Deferred Outflows of Resources - Pension Contributions		26,025

Long-term liabilities that pertain to governmental funds, including compensated absences, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Lease Liability	(6,374)	
Compensated Absences Payable	(5,733)	(12,107)

Total Net Position of Governmental Activities		\$ 2,884,890
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**TOWN OF SYLVAN, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

	General Fund	Fire Protection Fund	Roads and Bridges Fund	Parks Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 139,795	\$ 89,081	\$ 501,497	\$ -	\$ 730,373
Special Assessments	-	-	5,025	-	5,025
Licenses and Permits	1,800	-	13,900	-	15,700
Intergovernmental	27,952	-	72,888	-	100,840
Charges for Services	250	-	-	7,500	7,750
Interest on Deposits and Investments	1,370	65	7	127	1,569
Contributions and Donations	135	-	-	-	135
Miscellaneous	24,590	-	-	74	24,664
Total Revenues	<u>195,892</u>	<u>89,146</u>	<u>593,317</u>	<u>7,701</u>	<u>886,056</u>
EXPENDITURES					
CURRENT					
General Government	192,662	-	-	-	192,662
Public Safety	-	98,775	-	-	98,775
Streets and Highways	-	-	427,627	-	427,627
Culture and Recreation	36,757	-	-	4,323	41,080
DEBT SERVICE					
Principal	1,567	-	-	-	1,567
Interest and Other Charges	173	-	-	-	173
CAPITAL OUTLAY					
	62	-	324,395	-	324,457
Total Expenditures	<u>231,221</u>	<u>98,775</u>	<u>752,022</u>	<u>4,323</u>	<u>1,086,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,329)	(9,629)	(158,705)	3,378	(200,285)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	15,000	-	2,500	17,500
Transfers Out	(17,500)	-	-	-	(17,500)
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>15,000</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(52,829)	5,371	(158,705)	5,878	(200,285)
Fund Balance - Beginning of Year	<u>28,186</u>	<u>12,562</u>	<u>645,854</u>	<u>31,134</u>	<u>717,736</u>
FUND BALANCE - END OF YEAR	<u>\$ (24,643)</u>	<u>\$ 17,933</u>	<u>\$ 487,149</u>	<u>\$ 37,012</u>	<u>\$ 517,451</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF SYLVAN, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balance-Total Governmental Funds \$ (200,285)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital Outlays	324,008
Depreciation/Amortization Expense	(108,895)

Some right-to-use asset additions are financed through lease liabilities. In governmental funds, a lease liability arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of lease liability principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.

Lease Liability Repayment	1,567
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Delinquent and unavailable property taxes, special assessments receivable, and other receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds.

Deferred Inflows - December 31, 2021	\$ (51,203)	
Deferred Inflows - December 31, 2022	<u>41,952</u>	(9,251)

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(4,885)

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

Change in Compensated Absences	<u>(1,104)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 1,155</u></u>
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**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Town of Sylvan (the Town) is an organized town having the powers, duties, and privileges granted towns by Minnesota Statutes Ch. 365.

The Town is located near Pillager, Minnesota. It is governed by an elected board of five supervisors who are elected to four-year terms. This form of government also includes an appointed clerk/treasurer, a deputy clerk/treasurer, and an assistant deputy clerk.

Reporting Entity

Accounting principles generally accepted in the United States of America (GAAP) require that the Town's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the Town. In addition, the Town's financial statements are to include all component units - entities for which the Town is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the Town is financially accountable.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government.

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Town's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category--governmental--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds, as applicable.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Protection

The Fire Protection Fund accounts for property tax levy that is restricted for the Town's operations of the fire protection services.

Roads and Bridges

The Roads and Bridges Fund accounts for tax levy and gas tax that is restricted for the Town's maintenance of roads and bridges.

Parks

The Parks Fund was established to account for assessments which are restricted for the Town's maintenance of public parks.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. The Town considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, as applicable.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The budgets for the General Fund, Fire Protection Fund, Roads and Bridges Fund, and Parks Fund are prepared on a basis consistent with generally accepted accounting principles. Each spring, the Board of Supervisors adopts an annual budget for the following year. Budgeted amounts are presented as originally adopted, or as amended by the Board of Supervisors. Budgeted expenditure appropriations lapse at year-end. Comparisons of budgeted revenues and expenditures to actual are presented for the General Fund, Fire Protection Fund, Roads and Bridges Fund, and Parks Fund (special revenue funds).

Cash and Investments

The Town pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash consists of checking and savings accounts and a certificate of deposit.

Taxes

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected taxes. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as deferred inflows of resources because it is not known to be available to finance the operations of the Town in the current year. No allowances for uncollectible taxes have been provided as such amounts are not expected to be material.

Special Assessments Receivable

Special assessments which remain unpaid are classified as delinquent or deferred inflows of resources. Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment projects in accordance with state statutes. These assessments are collectible by the Town over a term of years.

Capital Assets

Capital assets are capitalized at historical cost, estimated historical cost, or in the case of contributions, at their estimated acquisition value at the time received. Capital assets are defined by the Town as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are normally sold for an immaterial amount when declared as no longer needed for Town purposes, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 30 years for machinery and equipment, 15 to 30 years for vehicles; 20 to 30 years for roadway signs, 25 to 40 years for Infrastructure, and 30 to 50 years for buildings. Under the provisions for phase three implementers of GASB Statement No. 34, the Town elected to record its infrastructure assets beginning with those acquired January 1, 2004, or later. Capital assets not being depreciated include land and construction-in-progress.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Town determines if an agreement is a lease at inception. Leases are included in right-to-use assets and lease liabilities in the Statement of Net Position.

Right-to-use assets represent the Town's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Town's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Town will exercise the option.

The Town has recognized payments for short-term leases with a lease term of 12 months or less as expenses are incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the Statement of Net Position.

The Town accounts for contracts containing both lease and nonlease components, as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the Town treats the component as a single lease unit.

Unearned Revenue

Governmental funds and the government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

Compensated Absences

Vacation

Employees are entitled to paid vacation for full-time service. Town employees earn vacation days based upon the number of completed years of service. The Town compensates employees for unused vacation upon termination.

Sick Leave

Employees are entitled to paid sick leave for full-time service. Since sick leave is not allowed to be carried over, no accrual for sick leave is recorded in the financial statements.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The Town will not recognize the related outflow until a future event occurs.

Deferred Inflows of Resources

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable portions of fund balance relate to prepaid items. Restricted fund balance represents amounts for appropriation but intended for a specific use and legally restricted by outside parties. Committed fund balance represents constraints on spending that the Board of Supervisors imposes upon itself by adopted resolution. Assigned fund balance represents resources intended for spending for purposes set by the Board of Supervisors or authorized management. Unassigned fund balance is the residual classification for the Town's General Fund and includes all spendable amounts not contained in other classifications.

Committed fund balance is required to be established, modified, or rescinded by resolution of the Board of Supervisors prior to each year-end. Based on resolution of the Board of Supervisors, the Town Clerk/Treasurer has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for an expenditure, it is the Town's policy to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for an expenditure, it is the Town's policy to use committed, assigned, and finally unassigned fund balance.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Town adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the Town reporting a right-to-use asset and a lease liability as disclosed in Notes 4 and 5.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Budgeted Appropriations

In the following funds, expenditures exceeded the budgeted appropriations during the year ended December 31, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General	\$ 231,221	\$ 193,930	\$ 37,291
Special Revenue Funds:			
Fire Protection	98,775	89,022	9,753
Roads and Bridges	752,022	635,450	116,572

The above overage relates to the operations of the Town and was considered by Town management to be necessary. All expenditures were approved by the Board.

Deficit Fund Balances

The General Fund had a deficit fund balance of \$24,643 at December 31, 2022. This deficit will be eliminated through future revenues.

TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DEPOSITS

The Town maintains a cash pool that is available for use by all funds. In accordance with Minnesota Statutes, the Town maintains deposits at financial institutions which are authorized by the Board of Supervisors. All such depositories are members of the Federal Reserve System.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits with financial institutions be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The Town’s deposits in banks at December 31, 2022 were entirely covered by federal depository insurance or by surety bonds and collateral.

TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 CAPITAL ASSETS

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

	* Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 715,000	\$ -	\$ -	\$ 715,000
Capital Assets, Being Depreciated/Amortized:				
Right-to-Use Assets	7,942	-	-	7,942
Buildings	203,466	-	-	203,466
Machinery and Equipment	3,141	-	-	3,141
Infrastructure	2,112,139	323,613	-	2,435,752
Total Capital Assets Being Depreciated/Amortized	2,326,688	323,613	-	2,650,301
Accumulated Depreciation/Amortization for:				
Right-to-Use Assets	-	1,672	-	1,672
Buildings	53,971	5,421	-	59,392
Machinery and Equipment	52	628	-	680
Infrastructure	806,276	101,174	-	907,450
Total Accumulated Depreciation/Amortization	860,299	108,895	-	969,194
Total Capital Assets, Being Depreciated/Amortized, Net	1,466,389	214,718	-	1,681,107
Governmental Activities Capital Assets, Net	<u>\$ 2,181,389</u>	<u>\$ 214,718</u>	<u>\$ -</u>	<u>\$ 2,396,107</u>

* The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

Depreciation/amortization expense was charged to Governmental Functions as follows:

Governmental Activities:	
General Government	\$ 6,571
Highways and Streets	101,492
Culture and Recreation	832
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 108,895</u>

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM DEBT

The Town entered into a lease liability agreement for 63 months for a Canon copier in 2021.

Assets acquired through these lease liabilities are:

Right-to-Use Assets	\$ 7,942
Less: Accumulated Amortization	<u>(1,672)</u>
Total	<u><u>\$ 6,270</u></u>

A summary of long-term liabilities transactions for the year ended December 31, 2022 is as follows:

	* Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease Liability	\$ 7,942	\$ -	\$ 1,568	\$ 6,374	\$ 1,606
Compensated Absences	4,629	4,485	3,381	5,733	5,733
Total Long-Term Debt	<u>\$ 12,571</u>	<u>\$ 4,485</u>	<u>\$ 4,949</u>	<u>\$ 12,107</u>	<u>\$ 7,339</u>

* The beginning balance of debt was restated due to the implementation of GASB Statement No. 87.

Minimal annual principal and interest payments required to retire long-term debt are as follows:

Year Ending December 31,	Lease Liability	
	Principal	Interest
2023	\$ 1,606	\$ 134
2024	1,646	94
2025	1,686	54
2026	1,436	13
Total	<u>\$ 6,374</u>	<u>\$ 295</u>

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

All full-time and certain part-time employees of the Town 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.

1. General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% 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.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

B. Benefits Provided (Continued)

1. General Employee Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the Town was required to contribute 7.50% for Coordinated Plan members. The Town's contributions to the General Employees Fund for the year ended December 31, 2022 were \$5,653. The Town's contributions were equal to the required contributions as set by state statute.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the Town reported a liability of \$79,200 for its proportionate share of the General Employees Fund's net pension liability. The Town'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 nonemployer 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 Town totaled \$2,256.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension liability was based on the Town's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Townships proportionate share was 0.0010% at the end of the measurement period and 0.0011% for the beginning of the period.

For the year ended December 31, 2022, the Town recognized pension expense of \$10,668 for its proportionate share of the General Employees Fund's pension expense. In addition, the Town recognized an additional \$336 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.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, the Town 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 662	\$ 846
Changes in Actuarial Assumptions	17,924	322
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	1,374	-
Changes in Proportion	3,185	4,170
Town Contributions Subsequent to the Measurement Date	2,880	-
Total	<u>\$ 26,025</u>	<u>\$ 5,338</u>

The \$2,880 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Pension Expense Amount
2023	\$ 8,717
2024	5,841
2025	(3,914)
2026	7,163

Total pension expense for all plans recognized by the Town for the year ended December 31, 2022 was \$11,004.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.1 %
International Equity	16.5	5.3
Fixed Income	25.0	0.8
Private Markets	25.0	5.9
Totals	100.0 %	

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25% for the General Employees Plan. 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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

G. Discount Rate

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

H. Pension Liability Sensitivity

The following presents the Town'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 Town's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% point lower or 1% point higher than the current discount rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
The Town's Proportionate Share of the Net Pension Liability	\$ 125,101	\$ 79,200	\$ 41,555

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

I. Pension Plan Fiduciary Net Position

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

J. Defined Contribution Plan

Five supervisors 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. 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 contributions 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 one percent (0.25%) of the assets in each member's account annually.

The Town's contributions for the years ended December 31, 2022, 2021, and 2020 were \$1,081, \$927, and \$967, respectively, equal to the contractually required contributions for each year as set by state statute.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 RISK MANAGEMENT

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

The Town participates in the Minnesota Association of Township Insurance and Bond Trust (MATIT) program, a joint powers organization under Minnesota Statutes Section 471.59 to provide insurance and risk management programs to eligible townships. This is a self-insurance program. Approximately 1,700 townships participate in the program.

The Town has the following coverage with MATIT: public officials' errors and omissions, workers' compensation, property, auto, and liability. There were no significant reductions in insurance coverage from the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three calendar years.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SYLVAN, MINNESOTA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST TEN YEARS

Measurement Date	Town's Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability	Total Town's Proportionate Share of the Net Pension Liability	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.0010%	\$ 79,200	\$ 2,256	\$ 81,456	\$ 73,242	108.13%	76.67%
June 30, 2021	0.0011%	46,975	1,519	48,494	78,848	59.58%	87.00%
June 30, 2020	0.0011%	65,950	1,973	67,923	79,592	82.86%	79.06%
June 30, 2019	0.0009%	49,759	1,667	51,426	79,875	62.30%	80.23%
June 30, 2018	0.0010%	55,476	2,020	57,496	63,492	87.37%	79.50%
June 30, 2017	0.0010%	63,839	788	64,627	63,257	100.92%	75.90%
June 30, 2016	0.0010%	73,076	-	73,076	58,326	125.29%	68.91%
June 30, 2015	0.0010%	51,825	-	51,825	60,762	85.29%	78.20%

NOTE: Information is presented prospectively, and an accumulation of 10 years will be provided.

**TOWN OF SYLVAN, MINNESOTA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST TEN YEARS**

December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Town's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 5,653	\$ (5,653)	\$ -	\$ 75,371	7.50%
2021	5,419	(5,419)	-	72,253	7.50%
2020	5,978	(5,978)	-	79,713	7.50%
2019	5,069	(5,069)	-	67,583	7.50%
2018	4,938	(4,938)	-	65,840	7.50%
2017	4,236	(4,236)	-	56,480	7.50%
2016	4,325	(4,325)	-	57,667	7.50%
2015	4,644	(4,644)	-	61,920	7.50%
2014	4,418	(4,418)	-	60,938	7.25%

NOTE: Information is presented prospectively, and an accumulation of 10 years will be provided.

**TOWN OF SYLVAN, MINNESOTA
BUDGETARY COMPARISON INFORMATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>(Negative)</u>
REVENUES			
PROPERTY TAXES			
General Property Tax:			
Current, Delinquent, Penalties, and Interest	\$ 136,825	\$ 139,795	\$ 2,970
LICENSES AND PERMITS			
Business	3,000	1,800	(1,200)
INTERGOVERNMENTAL			
Federal Grants	-	18,201	18,201
State Grants:			
Market Value Credit	700	3,369	2,669
PERA Rate Increase Aid	185	-	(185)
Town Aid	2,400	2,789	389
Other	17,200	3,593	(13,607)
Total Intergovernmental Revenues	<u>20,485</u>	<u>27,952</u>	<u>7,467</u>
CHARGES FOR SERVICES			
General Government	320	250	(70)
INTEREST ON DEPOSITS AND INVESTMENTS			
	200	1,370	1,170
CONTRIBUTIONS AND DONATIONS			
	-	135	135
MISCELLANEOUS REVENUES			
	<u>33,100</u>	<u>24,590</u>	<u>(8,510)</u>
Total Revenues	193,930	195,892	1,962

See accompanying Notes to Required Supplementary Information.

**TOWN OF SYLVAN, MINNESOTA
BUDGETARY COMPARISON INFORMATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Original and Final	Actual Amounts	
EXPENDITURES			
GENERAL GOVERNMENT			
Chairman and Board of Supervisors:			
Current	\$ 14,210	\$ 14,883	\$ (673)
Finance - Clerk/Treasurer:			
Current	69,125	84,008	(14,883)
Financial Administration:			
Current	5,100	800	4,300
Elections:			
Current	4,880	7,044	(2,164)
Planning and Zoning:			
Current	6,500	8,392	(1,892)
Personal Services:			
Current	7,175	8,361	(1,186)
General Government Buildings:			
Current	69,190	69,174	16
Capital Outlay	1,250	62	1,188
Total General Government	<u>177,430</u>	<u>192,724</u>	<u>(15,294)</u>
CULTURE AND RECREATION			
Park:			
Current	16,500	36,757	(20,257)
DEBT SERVICE			
Principal	-	1,567	(1,567)
Interest	-	173	(173)
Total Debt Service	<u>-</u>	<u>1,740</u>	<u>(1,740)</u>
Total Expenditures	<u>193,930</u>	<u>231,221</u>	<u>(37,291)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(35,329)	(35,329)
OTHER FINANCING SOURCES (USES)			
Transfers In	22,000	-	(22,000)
Transfers Out	(22,000)	(17,500)	(4,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(17,500)</u>	<u>(26,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(52,829)</u>	<u>\$ (61,829)</u>
Fund Balance - Beginning of Year		<u>28,186</u>	
FUND BALANCE - END OF YEAR		<u>\$ (24,643)</u>	

See accompanying Notes to Required Supplementary Information.

**TOWN OF SYLVAN, MINNESOTA
 BUDGETARY COMPARISON INFORMATION
 FIRE PROTECTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
REVENUES			
PROPERTY TAXES			
General Property Tax:			
Current, Delinquent, Penalties, and Interest	\$ 89,022	\$ 89,081	\$ 59
INTEREST ON DEPOSITS AND INVESTMENTS	-	65	65
Total Revenues	89,022	89,146	124
EXPENDITURES			
PUBLIC SAFETY			
Fire Protection:			
Current	89,022	98,775	(9,753)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(9,629)	9,877
OTHER FINANCING SOURCES			
Transfers In	-	15,000	15,000
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	5,371	<u>\$ 24,877</u>
Fund Balance - Beginning of Year		12,562	
FUND BALANCE - END OF YEAR		<u>\$ 17,933</u>	

See accompanying Notes to Required Supplementary Information.

**TOWN OF SYLVAN, MINNESOTA
BUDGETARY COMPARISON INFORMATION
ROADS AND BRIDGES FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Original and Final	Actual Amounts	
REVENUES			
PROPERTY TAXES			
General Property Tax:			
Current, Delinquent, Penalties, and Interest	\$ 501,000	\$ 501,497	\$ 497
Special Assessments	-	5,025	5,025
Total Property Taxes	<u>501,000</u>	<u>506,522</u>	<u>5,522</u>
LICENSES AND PERMITS			
Driveway Permits	10,000	13,900	3,900
INTERGOVERNMENTAL REVENUES			
Federal	-	8,343	8,343
State:			
Market Value Credit	2,500	-	(2,500)
Local	50,000	64,545	14,545
Total Intergovernmental	<u>52,500</u>	<u>72,888</u>	<u>20,388</u>
INTEREST ON DEPOSITS AND INVESTMENTS			
Total Revenues	<u>635,450</u>	<u>593,317</u>	<u>(42,133)</u>
EXPENDITURES			
STREET AND HIGHWAYS			
Current	435,450	427,627	7,823
Capital Outlay	200,000	324,395	(124,395)
Total Expenditures	<u>635,450</u>	<u>752,022</u>	<u>(116,572)</u>
NET CHANGE IN FUND BALANCE			
	<u>\$ -</u>	<u>(158,705)</u>	<u>\$ (158,705)</u>
Fund Balance - Beginning of Year		<u>645,854</u>	
FUND BALANCE - END OF YEAR		<u>\$ 487,149</u>	

See accompanying Notes to Required Supplementary Information.

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**TOWN OF SYLVAN, MINNESOTA
 BUDGETARY COMPARISON INFORMATION
 PARKS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Original and Final	Actual Amounts	
REVENUES			
CHARGES FOR SERVICES			
Assessments	\$ 10,000	\$ 7,500	\$ (2,500)
INTEREST ON DEPOSITS AND INVESTMENTS	-	127	127
MISCELLANEOUS	-	74	74
	<u>10,000</u>	<u>7,701</u>	<u>(2,299)</u>
Total Revenues	10,000	7,701	(2,299)
EXPENDITURES			
CULTURE AND RECREATION			
Parks:			
Current	10,000	4,323	5,677
Capital Outlay	8,000	-	8,000
	<u>18,000</u>	<u>4,323</u>	<u>13,677</u>
Total Expenditures	18,000	4,323	13,677
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,000)	3,378	11,378
OTHER FINANCING SOURCES			
Transfers In	8,000	2,500	(5,500)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>5,878</u>	<u>\$ 5,878</u>
Fund Balance - Beginning of Year		<u>31,134</u>	
FUND BALANCE - END OF YEAR		<u>\$ 37,012</u>	

See accompanying Notes to Required Supplementary Information.

**TOWN OF SYLVAN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 BUDGETARY INFORMATION

The budgets for the General Fund, Fire Protection Fund, Roads and Bridges Fund, and Parks Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each spring, the Board of Supervisors adopts an annual budget for the following year. Budgeted amounts are presented as originally adopted, or as amended by the Board of Supervisors. Budgeted expenditure appropriations lapse at year-end. Comparisons of budgeted revenues and expenditures to actual are presented for the General Fund, Fire Protection Fund, Roads and Bridges Fund, and Parks Fund (special revenue funds). Appropriations lapse at the close of the fiscal year to the extent they have not been expended or encumbered. Expenditures should not exceed budgets at the fund level.

The General Fund, Fire Protection Fund, and Road and Bridges Fund's actual expenditures were \$37,291, \$9,753, and \$116,572 over budget, respectively, for December 31, 2022. The overages were considered by the Town's management to be the result of necessary expenditures critical to operations and were approved by the Board of Supervisors.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

TOWN OF SYLVAN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

TOWN OF SYLVAN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- The morality 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 in Actuarial Assumptions

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

Changes in Plan Provisions

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

TOWN OF SYLVAN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed postretirement 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, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Supervisors
Town of Sylvan
Pillager, Minnesota

We have audited, in accordance with auditing standards general accepted in the United States of America, the accompanying financial statements of the governmental activities and each major fund of the Town of Sylvan, Minnesota (the Town), as of December 31, 2022 and the related notes to financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 8, 2023.

In connection with our audit, we noted that the Town of Sylvan failed to comply with provisions of the claims and disbursements of *Minnesota Legal Compliance Audit Guide for Towns*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described below. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Town failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Towns*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

During claims and disbursements testing, it was noted the Town did not have an annual electronic funds transfer (EFT) delegation as required by Minnesota State Statute 471.38, subd.3 and 3a.

The purpose of this report is solely to describe the scope of our testing and compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Towns* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
March 8, 2023



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