NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Delano, located in Wright County in Minnesota, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Delano (the City), the Delano Economic Development Authority (the EDA), a blended component unit of the City, and the Delano Water, Light, and Power Commission, a discretely presented component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The EDA is reported as a blended component unit of the City because the members of the City council serve as the governing board of the EDA.

Discretely Presented Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component Unit.

Delano Water, Light, and Power Commission

The component unit column of the accompanying financial statements includes the financial data of the Delano Water, Light, and Power Commission (the Commission). This financial information is shown in a separate column to emphasize the Commission is legally separate from the City.

The Commission was established under Minnesota Statute 412.321 to manage, control, and operate the light, power, and water utilities of the City. It is governed by a five-member commission appointed by the City's elected council. One Commissioner also served as a Council Member of the City during 2024. The rates for user charges and bond issuance authorization are approved by the commission and the legal liability for the general obligation portion of the Commission's debt remains with the Commission. The separate financial statements of the Commission may be obtained by writing to the Commission at P.O. Box 65, Delano, Minnesota 55328, or by phone at (763) 972 0557.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

In the government-wide statement of net position, both the governmental and business type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The City 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 City's governmental activities and different business-type 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.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The City reports all proprietary funds as major funds.

The City reports the following major governmental funds:

General Fund

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

Capital Projects Fund

The Capital Projects Fund accounts for projects and equipment purchases completed by the City. Annually the City budgets transfers into this fund, mostly from the General Fund, to pay for those equipment purchases and projects.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources and payment of resources and payment of general obligation bonds principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

TIF #9 Delano Legacy

The TIF #9 Delano Legacy Special Revenue Fund accounts for the bond proceeds, payments, and economic development activity for the Delano Legacy TIF district.

The City reports the following major proprietary funds:

Municipal Liquor Fund

The municipal liquor fund accounts for customer sales that are used to finance the City owned liquor store operating expenses and provide funds for general operations of the City.

Sewer Fund

The sewer fund accounts for the operations of the City-owned sanitary sewer utility system.

Additionally, the City reports the following fiduciary fund types:

Custodial Funds

The Motor Vehicle, and Department of Natural Resources funds account for fees collected for other government agencies.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund 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 City 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.

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

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Municipal Liquor Store and Sewer Funds are charges to customers for sales and services. Operating expenses for these 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.

Change in Accounting Principle

Effective December 31, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. There was no material impact as a result of the implementation of this standard.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General Fund and certain Special Revenue Funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council or the Commission. Budgeted expenditure appropriations lapse at year-end.

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

1. Prior to September 1, the administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments, and the final tax levy and General Fund budget are adopted.

3. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of the General Fund must be approved by the City Council.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Formal budgetary integration is not employed for the capital projects and debt service funds.

5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the enterprise funds where capital expenditures are budgeted for as an operating expense. Budgeted amounts presented are as originally adopted.

Cash and Investments

Cash and investment balances from all funds are combined and invested to the extent available in certificates of deposits and other allowable investments in accordance with Minnesota Statutes. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Short-term highly liquid debt instruments (including commercial paper, banker's acceptances, and U.S. Treasury and Agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Restricted cash consists of amounts that have been established to reflect conditions of bond issues.

Property Tax Revenue Recognition

Property tax levies are set by the City Council in December of each year and are certified to the County Auditor for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on property on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. Taxes which remain unpaid at December 31 are classified as delinquent and are not recognized as revenue in the governmental fund financial statements because they are not known to be available to finance current expenditures. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable resources in the governmental funds because it is not available to finance current expenditures. Property tax revenue in governmental activities is susceptible to full accrual on the government-wide statements. No allowances for uncollectible taxes have been provided because such amounts are not expected to be material.

Special Assessment Revenue Recognition

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 of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Assessment Revenue Recognition (Continued)

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent and special assessments receivable in governmental funding are completely offset by unavailable resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

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 Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. 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.

Utility Billing

The City bills customers monthly for electric, sewer, and water utility services. The City bills and recognizes the electric, sewer, and water services revenues on a monthly basis.

Inventories

Materials and supplies, if material, are recorded at original cost and are reported under the consumption method in the Governmental Funds. Liquor store inventories are recorded at average cost.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as Due from Other Funds, Due to Other Funds, Advances to Other Funds, or Advances from Other Funds on the balance sheet of the fund financial statement.

Capital Assets

The City capitalizes the following assets: all land and land improvements, assets exceeding $2,000 and have a useful life exceeding one year. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets related to general governmental activities 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 City purposes, no salvage value is taken into consideration for depreciation purposes.

Useful lives vary from 10 to 30 years for land improvements, 10 to 50 years for buildings and building improvements, 6 to 50 years for infrastructure and infrastructure improvements, 12 years for leasehold improvements, and 3 to 40 years for furniture, fixtures, vehicles, equipment, and machinery. Capital assets not being depreciated include land and construction in progress. As of January 1, 2004, the City capitalized infrastructure assets for governmental activities prospectively.

Property, plant, and equipment used by proprietary funds are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated acquisition value at the time received.

Net Pension Asset/Liability

For purposes of measuring the net pension asset, 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 Delano Firefighters Relief Association Plans (FRA), and additions to/deductions from PERA's and the FRA's fiduciary net position have been determined on the same basis as they are reported by PERA and the FRA. For this purpose, plan contributions and benefit payments (including refunds of 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.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more-likely-than-not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issue is reported as another financing source. Bond premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures, in the year they are incurred.

Net Position/Fund Balance

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

In the fund financial statements, governmental funds report fund balances in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable fund balance.** Portion of fund balances related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

- **Restricted fund balance.** Funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

- **Committed fund balance.** Funds are established and modified by a resolution approved by the City Council.

- **Assigned fund balance.** Consists of internally imposed constraints approved by the City Finance Director.

- **Unassigned fund balance.** Is the residual classification for the general fund and also reflects the negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City’s policy to use restricted first, then unrestricted fund balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The City formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 55% of the fund's annual operating expenditures and transfers out. Unassigned fund balance in excess of the desired level will be transferred and committed to the General Capital Improvement Fund pursuant to Council approval.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

All Interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statement of net position and statement of activities.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable are established when City management believes that some portion of the receivable will not be collected. Management's estimate of the required allowance is based upon historical experience and analysis of receivables on a specific identification basis.

Deferred Inflows and Outflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. The separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources related to leases receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources (Continued)

Deferred inflows and outflows of resources reported in governmental activities, represents items we relate to the City's net pension accounting, deferred gains/losses on debt refunding, and leases and are to be recognized in future periods.

Deferred inflows and outflows of resources reported in the proprietary funds, represent items which are related to the City's net pension accounting and are to be recognized in future periods.

Deferred inflows of resources reported in the discretely presented component unit represent regulatory collections for amounts which are permit payments that have been collected from developers and new property owners for future capital expenditures related to the acquisition of a service territory from another utility as well as state conservation programs. In addition, deferred inflows and outflows of resources are also reported to represent items which are related to the Commission's net pension accounting and are to be recognized in future periods.

Leases

The City determines if an arrangement is a lease at inception. Lessee leases are included in right-to-use lease assets (lease assets) and lease liabilities in the statement of net position. Lessor leases are included in lease receivables and deferred inflow of resources in the statement of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Lease assets represent the City'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. Lease 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. Lease assets are amortized in a systematic and rational matter over the shorter of the lease term or the useful life of the underlying asset.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net 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 City will exercise that option. The City recognizes payments for short-term leases with a lease term of 12 month or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

Land Held for Resale

Assets held for resale represents land purchased with the intent of selling the property for future development. This is recorded at the lower of cost or estimated market value.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The cash balances of substantially all funds are pooled by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024, based on market prices. Investment earnings on cash and pooled investments are credited to the General fund. In addition, other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

In accordance with applicable Minnesota Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Authorized collateral includes U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue 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.

Custodial Credit Risk – Deposits

In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota state statutes.

As of December 31, 2024, the City's deposits were 100% insured and/or collateralized in accordance with Minnesota Statute 118A.03, Subd. 1.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories.

- Obligations by a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service, or (ii) enrolled in the credit enhancement program.

- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

As of December 31, 2024, the City had the following investments in its pool:

			Maturity		
Investment	Credit Rating	Fair Value	Less Than 1 Year	1 to 5 Years	More Than 5 Years
Money Market Accounts	NR	$ 292,437	$ 292,437	$ -	$ -
Negotiable Certificates of Certificates of Deposit	NR	6,055,102	858,342	5,196,760	-
Mutual Funds	NR	218,020	-	218,020	-
Total		$ 6,565,559	$ 1,150,779	$ 5,414,780	$ -

NR - Not Rated
NA - Not Applicable

Interest Rate Risk

This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal policy for managing interest rate risk.

Credit Risk

Minnesota Statutes restrict the types of investments that the City may invest in. The City does not have a formal policy for managing credit risk. The City’s external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk

This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in the securities of a single issue, excluding U.S. Guaranteed investments (such as Treasuries), investment pools, and mutual funds. For the year ended December 31, 2024, the City had no investments that qualified as a concentration of credit risk.

The deposits and investments are presented in the financial statements as follows:

Primary Government:	
Cash	$ 11,442,455
Petty Cash	3,150
Investments	6,565,559
Total Cash and Investments	$ 18,011,164
Discretely Presented Component Unit:	
Cash and Cash Equivalents	$ 9,991,626
Custodial Fund:	
Cash and Cash Equivalents	$ 130,594

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Fair value measurements are as follows at December 31, 2024:

Investment	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 6,055,102	$ -	$ 6,055,102
Mutual Funds	-	218,020	-	218,020
Total	$ -	$ 6,273,122	$ -	6,273,122
Investments Measured at Amortized Cost				292,437
Total				$ 6,565,559

NOTE 3 CAPITAL ASSETS

Capital asset activity for governmental activities during the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 6,115,878	$ -	$ -	$ 6,115,878
Construction in Progress	5,234,412	7,609,216	6,325,409	6,518,219
Total Capital Assets, Not Being Depreciated	11,350,290	7,609,216	6,325,409	12,634,097
Capital Assets, Being Depreciated:				
Land Improvements	4,662,800	124,258	1,600	4,785,458
Buildings and Building Improvements	13,320,866	520,110	3,450	13,837,526
Infrastructure and Infrastructure Improvements	38,881,727	4,565,841	-	43,447,568
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,277,525	398,033	85,812	6,589,746
Total Capital Assets, Being Depreciated	63,142,918	5,608,242	90,862	68,660,298
Less: Accumulated Depreciation for:				
Land Improvements	2,647,080	188,731	1,600	2,834,211
Buildings and Building Improvements	3,670,590	356,472	3,450	4,023,612
Infrastructure and Infrastructure Improvements	7,889,713	968,569	-	8,858,282
Furniture, Fixtures, Vehicles, Equipment, and Machinery	3,292,425	427,301	85,812	3,633,914
Total Accumulated Depreciation	17,499,808	1,941,073	90,862	19,350,019
Total Capital Assets, Being Depreciated, Net	45,643,110	3,667,169	-	49,310,279
Governmental Activities Capital Assets, Net	$ 56,993,400	$ 11,276,385	$ 6,325,409	$ 61,944,376

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities during the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 131,434	$ -	$ -	$ 131,434
Construction in Progress	149,814	1,135,921	144,687	1,141,048
Total Capital Assets, Not Being Depreciated	281,248	1,135,921	144,687	1,272,482
Capital Assets, Being Depreciated:				
Land Improvements	72,500	-	-	72,500
Buildings and Building Improvements	15,825,245	97,130	-	15,922,375
Infrastructure and Infrastructure Improvements	18,673,832	131,475	-	18,805,307
Furniture, Fixtures, Vehicles, Equipment, and Machinery	690,651	80,784	14,005	757,430
Leasehold Improvements	190,550	-	-	190,550
Right-to-Use Assets, Being Amortized:				
Buildings	309,693	-	-	309,693
Total Capital Assets, Being Depreciated	35,762,471	309,389	14,005	36,057,855
Less: Accumulated Depreciation for:				
Land Improvements	58,850	2,340	-	61,190
Buildings and Building Improvements	5,556,263	323,562	-	5,879,825
Infrastructure and Infrastructure Improvements	6,234,229	380,134	-	6,614,363
Furniture, Fixtures, Vehicles, Equipment, and Machinery	442,271	63,325	14,005	491,591
Leasehold Improvements	116,417	17,942	-	134,359
Accumulated Amortization:				
Buildings	190,580	95,290	-	285,870
Total Accumulated Depreciation and Amortization	12,598,610	882,593	14,005	13,467,198
Total Capital Assets, Being Depreciated and Amortized, Net	23,163,861	(573,204)	-	22,590,657
Business-Type Activities Capital Assets, Net	$ 23,445,109	$ 562,717	$ 144,687	$ 23,863,139

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the component unit during the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Discrete Component Unit:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 3,610,290	$ 3,467,627	$ 2,259,899	$ 4,818,018
Intangible Asset (Service Territory)	1,082,069	10,623	-	1,092,692
Land	8,602	-	-	8,602
Total Capital Assets, Not Being Depreciated	4,700,961	3,478,250	2,259,899	5,919,312
Capital Assets, Being Depreciated:				
Utility Plant:				
Electric	27,634,908	3,119,407	1,106	30,753,209
Water	23,378,167	1,648,971	17,679	25,009,459
Right-to-Use Assets, Being Amortized:				
Electric	1,687,666	-	-	1,687,666
Total Utility Plant	52,700,741	4,768,378	18,785	57,450,334
Less: Accumulated Depreciation and Amortization	23,631,759	1,747,647	17,793	25,361,613
Total Capital Assets, Being Depreciated and Amortized, Net	29,068,982	3,020,731	992	32,088,721
Discrete Component Unit Capital Assets, Net	$ 33,769,943	$ 6,498,981	$ 2,260,891	$ 38,008,033

Depreciation and amortization expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 108,003
Public Safety	354,190
Highways and Streets	979,301
Economic Development	8,745
Community Services	490,834
Total Depreciation Expense, Governmental Activities	$ 1,941,073
Business-Type Activities:	
Municipal Liquor	$ 119,300
Sewer	763,293
Total Depreciation and Amortization Expense, Business-Type Activities	$ 882,593
Discrete Component Unit:	
Total Depreciation and Amortization Expense	$ 1,747,647

NOTE 4 CITY INDEBTEDNESS

The following is a schedule of changes in City indebtedness for the year ended December 31, 2024:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
G.O. Bonds	$ 15,095,689	$ -	$ 480,000	$ 14,615,689	$ 480,000
G.O. Tax Increment Bonds	4,435,000	-	30,000	4,405,000	30,000
G.O. Special Assessment Bonds	9,135,000	-	560,000	8,575,000	560,000
G.O. Revenue Bonds	3,207,648	-	1,472,233	1,735,415	116,800
G.O. Bonds - Commission ++	5,470,082	1,355,433	96,995	6,728,520	96,995
G.O. Tax Abatements	1,590,000	3,675,000	120,000	5,145,000	120,000
Premium on Bonds	2,185,000	324,372	247,188	2,262,184	-
Compensated Absences	246,230	146,532	-	392,762	189,092
Total Governmental Activities	41,364,649	5,501,337	3,006,416	43,859,570	1,592,887
Business-Type Activities:					
G.O. Revenue	7,256,581	-	381,205	6,875,376	511,917
Premium on Bonds	492,608	-	26,129	466,479	-
Compensated Absences	69,960	22,443	-	92,403	50,471
Leases Payable	122,640	-	97,747	24,893	24,893
Total Business-Type Activities	7,941,789	22,443	505,081	7,459,151	587,281
Total Debt - Primary Government	$ 49,306,438	$ 5,523,780	$ 3,511,497	$ 51,318,721	$ 2,180,168
Discrete Component Unit:					
Loans Payable	$ 5,470,082	$ 10,440,433	$ 96,995	$ 15,813,520	$ 209,495
Notes from Direct Borrowings	1,160,000	-	565,000	595,000	595,000
Unamortized Premium	-	242,967	-	242,967	-
Lease Liability	1,372,274	-	169,498	1,202,776	178,973
Service Territory Acquisition	110,647	10,623	60,647	60,623	60,623
Compensated Absences	82,371	-	5,655	76,716	19,179
Total	$ 8,195,374	$ 10,694,023	$ 897,795	$ 17,991,602	$ 1,063,270

++ These amounts consist of portions of the City’s Series 2016A, 2018A, 2020A, and 2023A G.O. Bonds and G.O. Revenue Bonds that were loaned to the Commission for infrastructure improvements. The Commission is repaying the loan to the City in accordance with the original terms of the bonds issued by the City.

The change in the compensated absence liability is presented as a net change.

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

The compensated absences balances are liquidated by the General Fund and enterprise funds.

City indebtedness at December 31, 2024, is composed of the following:

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Governmental Activities:				
G.O. Bonds:				
2009 Street Reconstruction Bonds	$ 410,000	2/1/2025	2.00 - 4.00%	$ 65,000
2013 Street Reconstruction Bonds	4,405,000	2/1/2034	2.00 - 3.75%	3,840,000
2014 Improvement Bonds	905,000	8/1/2035	2.10 - 3.50%	630,000
2016 Street Reconstruction Refunding Bonds	1,165,000	2/1/2028	2.00 - 3.00%	510,000
2020 Street Reconstruction Bonds	965,000	2/1/2041	2.00 - 5.00%	860,000
2021 Street Reconstruction Bonds	820,000	2/1/2042	2.00 - 5.00%	790,000
2021 Improvement Bonds	740,000	2/1/2042	2.00 - 5.00%	715,000
2023 Street Reconstruction Bonds	7,205,689	2/1/2044	4.00 - 5.00%	7,205,689
G.O. Tax Increment Bonds:				
2016 Tax Increment Refunding Bonds	355,000	2/1/2030	2.25 - 3.00%	195,000
2023 Tax Increment Refunding Bonds	4,210,000	2/1/2049	4.00 - 5.00%	4,210,000
G.O. Special Assessment Bonds:				
2016 Improvement Bonds	4,450,000	2/1/2036	2.75 - 3.00%	3,185,000
2018 Improvement Bonds	2,625,000	2/1/2039	3.00 - 3.50%	2,110,000
2020 Improvement Bonds	275,000	2/1/2041	2.00 - 5.00%	215,000
2021 Improvement Bonds	3,455,000	2/1/2042	2.00 - 5.00%	3,065,000
G.O. Revenue Bonds:				
2016 Storm Water Bonds	175,000	2/1/2036	2.75 - 3.00%	120,000
2016 Storm Water Refunding Bonds	890,000	2/1/2028	2.00 - 3.00%	385,000
2020 Storm Water Bonds	426,720	2/1/1941	2.00 - 5.00%	379,680
2023 Storm Water Bonds	850,735	2/1/2044	4.00 - 5.00%	850,735
G.O. Abatement Bonds:				
2015 Abatement Bonds	895,000	2/1/2029	1.20 - 2.50%	430,000
2021 Abatement Bonds	1,080,000	2/1/2042	2.00 - 5.00%	1,040,000
2024 Abatement Bonds	3,675,000	2/1/2045	4.00 - 5.00%	3,675,000
G.O. Bonds - Commission ++	Various	2041	2.00 - 5.00%	6,728,520
Premium on Bonds				2,262,184
Compensated Absences				392,762
Total Governmental Activities				$ 43,859,570
Business-Type Activities:				
G.O. Revenue Bonds:				
2005 Sewer G.O. Loan	$ 1,630,000	12/1/2025	4.14%	$ 270,000
2016 Sanitary Sewer G.O. Bonds	495,000	2/1/2036	2.75 - 3.00%	355,000
2020 Sanitary Sewer Bonds	665,607	2/1/2041	2.00 - 5.00%	592,233
Revenue Bonds:				
2021 Sanitary Sewer Bonds	2,180,000	2/1/2042	2.00 - 5.00%	2,040,000
2023 Sanitary Sewer Bonds	3,618,143	2/1/2049	4.00 - 5.00%	3,618,143
Premium on Bonds				466,479
Lease Liability				24,893
Compensated Absences				92,403
Total Business-Type Activities				$ 7,459,151

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Description	Initial Amount Issued	Maturity Date	Net Interest Rate	Outstanding Principal
Discrete Component Unit:				
Notes from Direct Borrowings:				
2005 Water G.O. Loan	$ 7,160,000	12/1/2025	4.14%	$ 540,000
Electric Revenue Loan	700,000	12/1/2025	4.14%	55,000
Loan Payable:				
Water G.O. Revenue Bonds	900,000		2.75 - 3.00%	615,000
Utility G.O. Bonds 2018A	450,000	2/1/2039	3.00 - 3.50%	360,000
Utility G.O. Bonds 2020A	812,673	2/1/2041	2.00 - 5.00%	723,087
Utility G.O. Bonds 2023A	3,675,000	2/1/2044	4.00 - 5.00%	5,030,433
Electric Revenue Loan	9,085,000	2/1/2045	4.00 - 5.00%	9,085,000
Other Long-Term Liabilities:				
Service Territory Acquisition				60,623
Compensated Absences				76,716
Lease Liability				1,202,776
Unamortized Premium				242,967
Total Discrete Component Unit				$ 17,991,602

++ These amounts consist of portions of the City's Series 2016A, 2018A, 2020A, and 2023A G.O. Bonds that were passed through to the Commission for infrastructure improvements.

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

	Governmental Activities				
Year Ending	Bonded Debt *		G.O. Bonds Commission **		
December 31,	Principal	Interest	Principal	Interest	Total
2025	$ 1,682,527	$ 1,309,637	$ 250,556	$ 270,564	$ 3,513,284
2026	1,880,098	1,201,149	260,379	259,754	3,601,380
2027	1,943,676	1,132,064	269,181	248,872	3,593,793
2028	2,039,826	1,059,980	284,084	237,491	3,621,381
2029	2,002,397	984,364	293,907	225,584	3,506,252
2030 - 2034	10,738,761	3,747,808	1,673,255	932,834	17,092,658
2035 - 2039	6,994,224	2,084,671	1,869,743	558,453	11,507,091
2040 - 2044	5,674,595	881,058	1,827,415	179,810	8,562,878
2045 - 2049	1,250,000	144,213	-	-	1,394,213
Thereafter	270,000	6,075	-	-	276,075
Total	$ 34,476,104	$ 12,551,019	$ 6,728,520	$ 2,913,362	$ 56,669,005

* These amounts are to be repaid with the City resources
** These amount are to be repaid with the receivable from the Commission

	Business-Type Activities				
Year Ending	Bonded Debt		Leases		
December 31,	Principal	Interest	Principal	Interest	Total
2025	$ 511,917	$ 993,787	$ 24,893	$ -	$ 1,530,597
2026	254,522	892,685	-	-	1,147,207
2027	267,143	863,019	-	-	1,130,162
2028	281,091	830,392	-	-	1,111,483
2029	293,696	796,151	-	-	1,089,847
2030 - 2034	1,662,984	3,370,017	-	-	5,033,001
2035 - 2039	1,876,034	2,084,839	-	-	3,960,873
2040 - 2044	1,727,989	713,311	-	-	2,441,300
Total	$ 6,875,376	$ 10,544,201	$ 24,893	$ -	$ 17,444,470

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

	Discrete Component Unit				
Year Ending	Direct Borrowings		Loans Payable		
December 31,	Principal	Interest	Principal	Interest	Total
2025	$ 595,000	$ 25,704	$ 250,555	$ 477,589	$ 1,348,848
2026	-	-	370,380	667,472	1,037,852
2027	-	-	444,181	649,211	1,093,392
2028	-	-	469,083	628,567	1,097,650
2029	-	-	488,907	606,890	1,095,797
2030 - 2034	-	-	3,593,252	2,234,518	5,827,770
2035 - 2039			4,789,740	1,342,738	6,132,478
2040 - 2044			5,407,422	471,182	5,878,604
Total	$ 595,000	$ 25,704	$ 15,813,520	$ 7,078,167	$ 23,512,391

The annual requirements to amortize bonded debt outstanding as of December 31, 2024, including interest of $26,008,582 are as follows:

	Discrete Component Unit		Discrete Component Unit		
Year Ending	Leases		Service Territory Acquisition		
December 31,	Principal	Interest	Principal	Interest	Total
2025	$ 178,973	$ 55,027	$ 60,623	$ -	$ 234,000
2026	188,129	45,871	-	-	234,000
2027	197,754	36,246	-	-	234,000
2028	207,872	26,128	-	-	234,000
2029	218,507	15,493	-	-	234,000
2030 - 2034	211,541	4,395	-	-	215,936
Total	$ 1,202,776	$ 183,160	$ 60,623	$ -	$ 1,385,936

\+ This includes the principal and interest related to the due to primary government for the Commission's portion of the City's Series 2016A, 2018A, 2020A, and 2023A bonds.

Leases

The City leases building space under long-term, a noncancelable lease agreement. The building lease expires during fiscal year 2035, with an interest rate of 3.0%. Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

	Business-Type Activities
Building	$ 309,693
Less: Accumulated Amortization	(285,870)
Total	$ 23,823

NOTE 5 LEASE RECEIVABLES

The City, acting as lessor, leases certain building space under long-term, a noncancelable lease agreement. This lease expires in fiscal year 2025. During the year ended December 31, 2024, the City recognized $4,507 and $293 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as a lessor, leases certain real property under long-term, a noncancelable lease agreement. This lease expires in fiscal year 2028. During the year ended December 31, 2024, the City recognized $2,016 and $1,280 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum principal and interest payments to be received under lease agreements are as follows:

	Lease Receivable	
Year Ending December 31,	Principal	Interest
2025	$ 14,643	$ 1,357
2026	11,036	964
2028	11,367	633
2029	11,707	293
Total	$ 48,753	$ 2,321

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The County participates in the following cost-sharing, multiemployer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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 prorated increase.

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were $183,433. The City's contributions were equal to the required contributions as set by state statute.

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs

At December 31, 2024, the City reported a liability of $1,068,331 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 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 City totaled $27,625. The net pension liability was measured as of June 30, 2024, 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 proportion 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0289% at the end of the measurement period and 0.0279% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	$ 1,068,330
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	43,054
Total	$ 1,111,384

For the year ended December 31, 2024, the City recognized pension expense of $192,925 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $342 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.

During the plan year ended June 30, 2024, the state of Minnesota contributed $170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $49,153 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported its proportionate share of the General Employee Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 100,451	$ -
Changes in Actuarial Assumptions	5,216	404,346
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	310,234
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	108,528	-
City Contributions Subsequent to the Measurement Date	95,257	-
Total	$ 309,452	$ 714,580

The $95,257 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2025	(280,479)
2026	(22,804)
2027	(115,220)
2028	(81,882)
Total	$ (500,385)

Long-Term Expected Return on Investments

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	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan, Police and Fire Plan, and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police and Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

General Employees Fund (Continued)

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 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 position of the General Employees, Police and Fire, and Correctional Plans were 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.

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 (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City's Proportionate Share of the GERF Net Pension Liability	$ 2,333,408	$ 1,068,331	$ 27,691

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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103 2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT

Plan Description

The Commission participates in the following cost-sharing, multiemployer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the IRC.

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

Benefits Provided

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% 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.

Contributions

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

Coordinated Plan members were required to contribute 7.50% of their annual covered salary in fiscal year 2024 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2024 were $94,678. The Commission's contributions were equal to the required contributions as set by state statute.

NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

Pension Costs

At December 31, 2024, the Commission reported a liability of $516,263 for its proportionate share of the General Employees Fund's net pension liability. The Commission'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 Commission totaled $13,350. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0140% at the end of the measurement period and 0.0133% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability	$ 516,263
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the Commission	13,350
Total	$ 529,613

For the year ended December 31, 2024, the Commission recognized pension expense of $57,916 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2024, the Commission reported its proportionate share of the General Employees Plans' 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	$ 48,543	$ -
Changes in Actuarial Assumptions	2,521	195,397
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	149,919
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	49,444	20,851
Commission Contributions Subsequent to the Measurement Date	48,367	-
Total	$ 148,875	$ 366,167

NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

Pension Costs (Continued)

The $48,367 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2024	$ (164,696)
2025	(8,580)
2026	(52,813)
2027	(39,570)
Total	$ (265,659)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90

Actuarial Assumptions

The total pension liability in the June 30, 2024 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

Actuarial Assumptions (Continued)

Inflation is assumed to be 2.25% for the General Employees Plan and 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 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 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 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS – DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

Pension Liability Sensitivity

The following presents the Commission'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 Commission'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 (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Discrete Component Unit's Proportionate Share of the GERF Net Pension Liability	$ 1,127,602	$ 516,263	$ 13,381

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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Delano are members of the Delano Fire Department Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered by the Delano Fire Department Relief Association pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2022, membership includes 24 active participants and five terminated members entitled to benefits but not yet receiving them. The plan issues a stand-alone financial statement. Financial statements can be obtained by contacting the City finance department.

Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served 10 years but less than 20 years of active service with such department before retirement shall be entitled to a lump-sum service pension in the amount of $3,600 for each year of active times the vesting percentage. The vesting percentage is 60% for active duty of 10 years or more but less than 11 years. For active duty of more than 10 years, but less than 20 years, the vesting percentage increased by 4% for each additional year of service between 11 and 20.

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum $3,375 for each year the member was an active member of the Delano Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump-sum distribution up to a maximum of $1,000. The supplemental benefit is in lieu of state income tax exclusion for lump-sum distributions and will no longer be available if state tax law is modified to exclude lump-sum distributions from state income tax. The Association qualifies for these benefits.

Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). The minimum contribution from the City of Delano and state aid is determined as follows:

	Normal Cost
+	Amortization Payment of Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributable to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	Total Contribution Required

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City $78,976 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2023, was $-0-.

Pension Costs

At December 31, 2024, the City reported an asset of $401,874 for the Association's net pension asset. The net pension asset was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized pension expense of $225,600 for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ -	$ -
Changes in Actuarial Assumptions	933	54,039
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	108,554	-
Change in Total Pension Liability Due to Change in Census Data	-	9,695
City Contributions Subsequent to the Measurement Date	93,326	-
Total	$ 202,813	$ 63,734

The City contributions to the Association subsequent to the measurement date of $93,326 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2025	$ 9,622
2026	28,136
2027	40,415
2028	(17,534)
2029	(7,447)
Thereafter	(7,439)
Total	$ 45,753

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	N/A
Inflation Rate	2.5%
Age of Service Requirement	50

The best estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	15.00 %	2.25 %
Equities	34.00	7.30
Fixed Income	50.00	3.40
Other	1.00	6.00
Total Portfolio	100.00 %	5.25

Discount Rate

The discount rate used to measure the total pension asset was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Sensitivity

The following presents the City of Delano's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.00%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

Description	1% Decrease in Discount Rate (5.00%)	Current Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net Pension Liability (Asset)	$ (390,170)	$ (401,874)	$ (412,808)

Pension Plan Fiduciary Net Position

Information about the plan's net position is as follows:

	2023
Assets:	
Cash and Investments	$ 1,434,484
Accounts Receivable	2,000
Total Assets	1,436,484
Net Position:	
Restricted for Pension Benefits	$ 1,436,484

NOTE 8 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Plan Fiduciary Net Position (Continued)

Information about changes in the plan's net pension liability (asset) is as follows:

	2023
Total Pension Liability:	
Service Cost	$ 29,405
Interest	63,724
Differences Between Expected and Actual Experience	-
Plan Changes	32,224
Changes of Assumptions	-
Gain or Loss	-
Benefit Payments, Including Member Contribution Refunds	(246,800)
Changes in Total Pension Liability Due to Census Data	-
Other Changes	-
Net Change in Total Pension Liability	(121,447)
Total Pension Liability - Beginning	1,156,057
Total Pension Liability - Ending (a)	1,034,610
Plan Fiduciary Net Position:	
Municipal Contributions	-
State Contributions	78,976
Net Investment Income	84,043
Benefit Payments	(246,800)
Administrative Expenses	(7,847)
Other Changes	39,561
Net Change in Fiduciary Net Position	(52,067)
Fiduciary Net Position - Beginning	1,488,551
Fiduciary Net Position - Ending (b)	1,436,484
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	$ (401,874)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As the City has fewer than 100 plan members, it has elected to calculate its total OPEB liability and related information using the alternative measurement permitted by GASB Statement No. 75.

The City provides health insurance benefits for certain retired employees under a single-employer defined benefit health care plan. The plan provides health care insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost.

Postemployment Insurance Benefits

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Employees covered by benefit terms. At December 31, 2024, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	-
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
Active Plan Members	22
Total	22

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions and Funding Policy

The City funds its OPEB obligation on a pay-as-you-go basis. The City contributes none of the cost of current year premiums for eligible retired plan members and their spouses except for the implicit rate subsidy described above. For fiscal year 2024, the City contributed $-0- to the plan. Plan members receiving benefits contribute 100% of their premium costs. As of December 31, 2024, there were no retirees receiving health benefits from the City's health plans.

Total OPEB Liability

The City's Total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the year ended December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	December 31, 2022
Measurement Date	December 31, 2024
Methods and Assumptions Used to Determine the Contribution Rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Amortization Period	Investment Gains/Losses are Amortized Over 5 Years and Liability Gains/Losses are Amortized Over Average Working Lifetime
Inflation	2.60%
Healthcare Cost Trend Rate	8.00% for 2023, decreasing .60% per year to an ultimate rate of 4.04%
Salary Increases	3.25%
Discount Rate	3.77% (Fidelity Municipal GO AA index as of December 31, 2023)
Retirement Age	Age 64
Mortality	Rates from the most recent July 1, 2014 through June 30, 2018 PERA and TRA Experience Studies

Discount Rate

The City's OPEB plan is not funded by a trust and, therefore, the City uses the Fidelity Municipal GO AA index rate to develop its long-term rate of return and discount rate. This rate was 3.77% in the current actuarial valuation, which was updated from the 4.05% used in the prior actuarial valuation.