

CITY OF DELANO, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2024



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INTRODUCTORY SECTION

**CITY OF DELANO, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2024**

Elected Officials

Mayor	Holly Schrupp	December 31, 2026
Council Member	Jason Franzen	December 31, 2026
Council Member	Becky Schaust	December 31, 2026
Council Member	Mike Mathisen	December 31, 2024
Council Member	Jeremiah Hawkins	December 31, 2024

Term Expires

Appointed Officials

Administrator	Phil Kern
Engineer	Shawn Louwagie
Finance Director	Brian Bloch

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Delano
Delano, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Delano Water, Light, and Power Commission, a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the discretely presented component unit as of December 31, 2024. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Delano Water, Light, and Power Commission, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Delano'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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the City's total OPEB liability and related ratios, schedule of the City's proportionate share of the net pension liability, the schedule of changes in the Delano Firefighter's Relief Association's net pension liability (asset), and the schedule of the City contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund and discretely presented component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund and discretely presented component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic 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.

Honorable Mayor and City Council
City of Delano

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2025, on our consideration of the City of Delano's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Delano's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Delano's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 23, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

This section of the City of Delano's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2024. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2024, and the prior year, 2023, is required to be presented in the MD&A.

The Delano Water, Light, and Power Commission (the Commission) is considered a component unit of the City and, therefore, the Commission's financial information is included in management's discussion of the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2024 include the following:

- Governmental activities net position increase of \$1,178,324.
- Business-type activities net position increased \$1,921,578.
- As of December 31, 2024, unassigned fund balance within the General Fund was \$3,996,672 or 86.62% of total 2024 General Fund expenditures.
- The fund balances of the Governmental Funds' decreased from \$18,257,672 to \$16,916,405 as of December 31, 2024. The decrease is due to a deficiency of revenue over expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

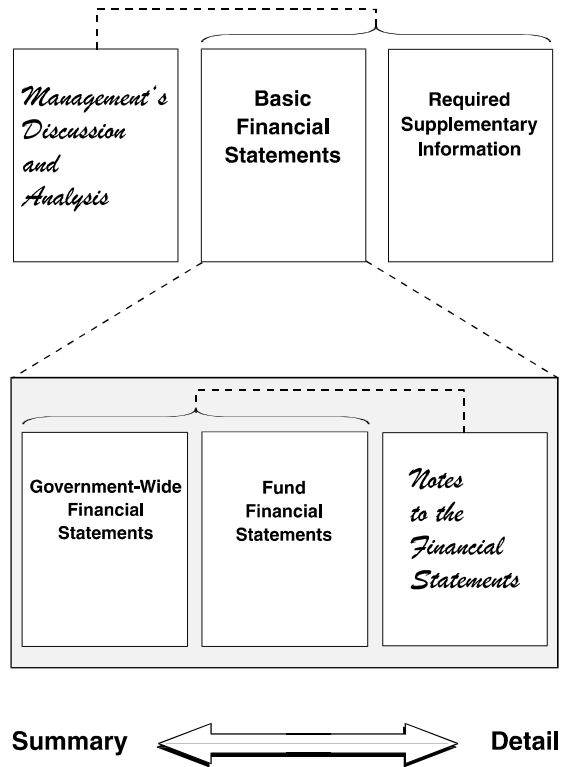
The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and highways and streets were financed in the short-term as well as what remains for future spending.
 - The proprietary funds statements provide details of the City's municipal liquor and utility "business-type" funds.
 - The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements			
Type of Statements	City-Wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: municipal liquor, sewer, electric, and water.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balance.	Statement of revenues, expenses, and changes in net position, and statement of cash flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Deferred Outflow/Inflow Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short term and long term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short term and long term.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of City buildings, infrastructure and other facilities.

In the City-wide financial statements, the City's activities are shown in two categories:

- Governmental activities – The City's basic services are included here. Property taxes, charges for services, and state aids finance most of these activities.
- Business-type activities – The City's enterprise fund operations (municipal liquor and sewer) are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has two kinds of funds:

- Governmental Funds – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future operations. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary (Enterprise) Funds – The City reports two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor and sewer utility. Enterprise fund financial statements provide the same type of information as the City-wide financial statements, only in more detail.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$63,154,783 on December 31, 2024 (see Table A-1).

**Table A-1
Condensed Statements of Net Position
as of December 31, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and Other Assets	\$ 28,555,598	\$ 27,132,219	\$ 6,138,744	\$ 5,268,498	\$ 34,694,342	\$ 32,400,717
Capital Assets	61,944,376	56,993,400	23,863,139	23,445,109	85,807,515	80,438,509
Total Assets	90,499,974	84,125,619	30,001,883	28,713,607	120,501,857	112,839,226
Deferred Outflows of Resources	443,607	650,846	68,658	122,158	512,265	773,004
Liabilities:						
Long-Term Liabilities	44,710,729	42,589,214	7,626,618	8,271,021	52,337,347	50,860,235
Other Liabilities	4,111,464	1,421,497	525,239	613,021	4,636,703	2,034,518
Total Liabilities	48,822,193	44,010,711	8,151,857	8,884,042	56,974,050	52,894,753
Deferred Inflows of Resources	726,746	549,436	158,543	113,160	885,289	662,596
Net Position:						
Net Investment in Capital Assets	18,750,565	18,405,157	16,871,284	17,429,579	35,621,849	35,834,736
Restricted	20,851,994	18,962,178	-	-	20,851,994	18,962,178
Unrestricted	1,792,083	2,848,983	4,888,857	2,408,984	6,680,940	5,257,967
Total Net Position	<u>\$ 41,394,642</u>	<u>\$ 40,216,318</u>	<u>\$ 21,760,141</u>	<u>\$ 19,838,563</u>	<u>\$ 63,154,783</u>	<u>\$ 60,054,881</u>

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$23,289,925 for the year ended December 31, 2024. Property taxes accounted for 21.1% of total revenue for the year (see Graph A-1 for breakdown of Governmental Activities).

**Table A-2
Condensed Statements of Activities
Years Ended December 31, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,702,509	\$ 2,411,657	\$ 6,922,119	\$ 6,207,277	\$ 10,624,628	\$ 8,618,934
Operating Grants and Contributions	547,728	600,339	-	-	547,728	600,339
General Revenues:						
Property Taxes	4,915,970	4,196,795	-	-	4,915,970	4,196,795
Tax Increments	819,045	598,343	-	-	819,045	598,343
Grants and Contributions, Not Restricted	1,031,299	1,175,756	-	-	1,031,299	1,175,756
Unrestricted Investment Earnings	205,298	115,648	44,525	37,548	249,823	153,196
Miscellaneous	3,456,358	4,427,010	1,645,074	391,050	5,101,432	4,818,060
Total Revenues	14,678,207	13,525,548	8,611,718	6,635,875	23,289,925	20,161,423
Expenses:						
General Government	1,382,638	1,323,055	-	-	1,382,638	1,323,055
Public Safety	1,794,894	1,459,518	-	-	1,794,894	1,459,518
Highways and Streets	4,491,039	3,917,999	-	-	4,491,039	3,917,999
Economic Development	1,557,122	3,475,474	-	-	1,557,122	3,475,474
Community Services	3,308,674	2,352,028	-	-	3,308,674	2,352,028
Debt Service	1,535,883	1,142,716	-	-	1,535,883	1,142,716
Municipal Liquor	-	-	3,627,468	3,605,473	3,627,468	3,605,473
Sewer	-	-	2,492,305	2,376,611	2,492,305	2,376,611
Total Expenses	14,070,250	13,670,790	6,119,773	5,982,084	20,190,023	19,652,874
Increase in Net Position Before Transfers	607,957	(145,242)	2,491,945	653,791	3,099,902	508,549
Transfers	570,367	4,341,073	(570,367)	(4,341,073)	-	-
Change in Net Position	1,178,324	4,195,831	1,921,578	(3,687,282)	3,099,902	508,549
Net Position - Beginning of Year	40,216,318	36,020,487	19,838,563	23,525,845	60,054,881	59,546,332
Net Position - End of Year	<u>\$ 41,394,642</u>	<u>\$ 40,216,318</u>	<u>\$ 21,760,141</u>	<u>\$ 19,838,563</u>	<u>\$ 63,154,783</u>	<u>\$ 60,054,881</u>

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues surpassed expenses, increasing net position \$1,178,324 from the prior year. This compares to a \$4,195,831 increase in net position in 2023. The increase in net position from 2023 to 2024 is largely a result of increased revenues from various sources offsetting increases in expenses.

The City-wide cost of all activities this year was \$20,190,023. Governmental activities and business-type activities comprised of \$14,070,250 and \$6,119,773, respectively.

- A total of \$10,624,628 of the cost was paid by the users of the City's programs, comprised of: \$3,702,509 for governmental activities and \$6,922,119 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$547,728. Restricted state-aid comprised a majority of the revenue in this classification.
- The City's governmental activities' program expenses exceeded program revenues by \$9,820,013 (see Table A-3).

See Graphs A-1 and A-2 for a breakdown of the City's revenues and expenses for governmental activities.

**Table A-3
Cost of Services Analysis**

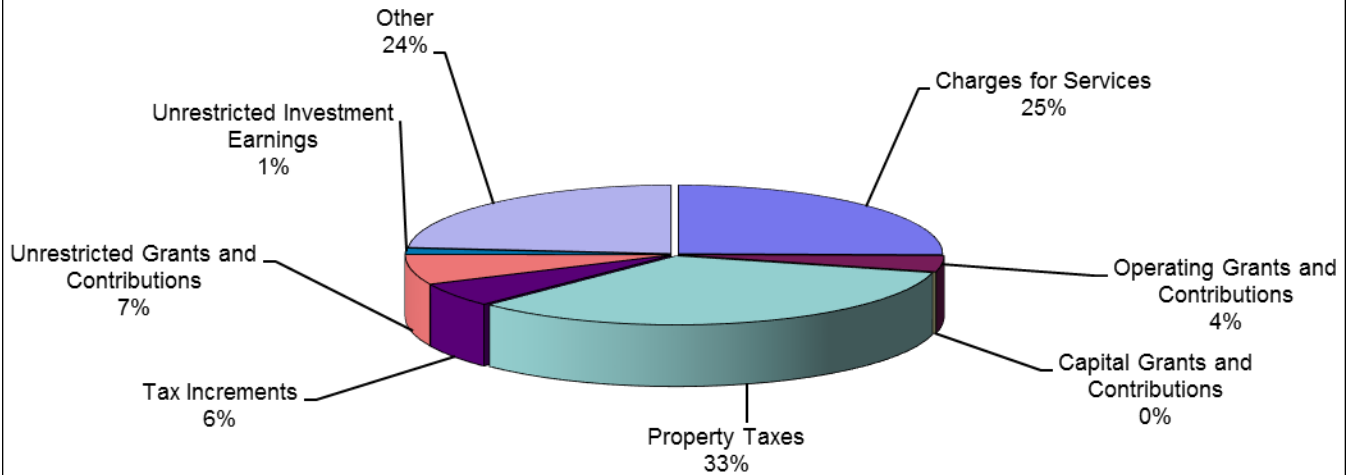
	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2024	2023		2024	2023	
Governmental Activities:						
General Government	\$ 1,382,638	\$ 1,323,055	4.5 %	\$ (442,652)	\$ (633,741)	30.2 %
Public Safety	1,794,894	1,459,518	23.0	(1,169,833)	(821,358)	(42.4)
Highways and Streets	4,491,039	3,917,999	14.6	(3,493,051)	(3,323,864)	(5.1)
Economic Development	1,557,122	3,475,474	(55.2)	(430,093)	(3,068,870)	86.0
Community Services	3,308,674	2,352,028	40.7	(2,748,501)	(1,668,245)	(64.8)
Debt Service	1,535,883	1,142,716	34.4	(1,535,883)	(1,142,716)	(34.4)
Total	<u>\$ 14,070,250</u>	<u>\$ 13,670,790</u>		<u>\$ (9,820,013)</u>	<u>\$ (10,658,794)</u>	
Business-Type Activities:						
Municipal Liquor	\$ 3,627,468	\$ 3,605,473	0.6 %	\$ 344,980	\$ 325,089	6.1 %
Sewer	2,492,305	2,376,611	4.9	457,366	(99,896)	(557.8)
Total	<u>\$ 6,119,773</u>	<u>\$ 5,982,084</u>		<u>\$ 802,346</u>	<u>\$ 225,193</u>	

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

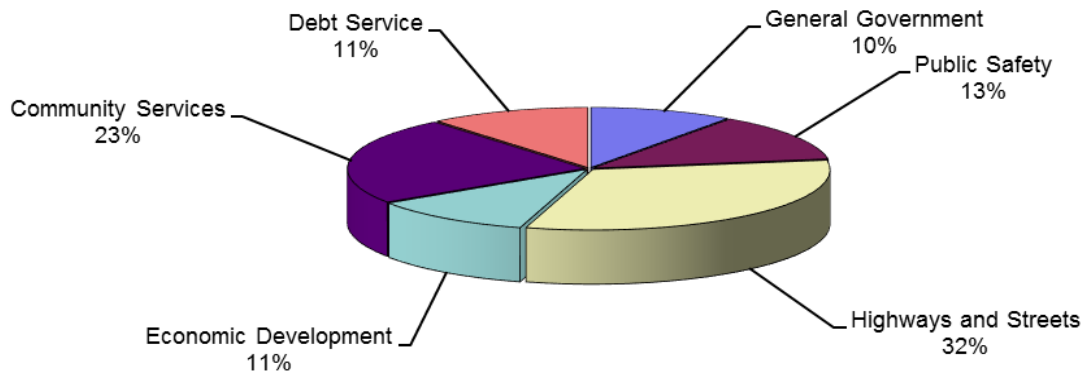
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

**Graph A-1
Source of City's Revenue for Governmental Activities
for Fiscal Year 2024**



**Graph A-2
City's Expenses for Governmental Activities
for Fiscal Year 2024**



**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$16,885,322.

Revenues for the City's governmental funds were \$13,413,357, while total expenditures were \$20,498,821. Total expenditure includes \$1,403,795 of bond and loan principal payments and \$1,710,927 of expenditures for interest related to the City's long-term debt.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund increased by \$362,758 in 2024 to an ending balance of \$4,023,802. This compares to an increase of \$416,305 in 2023.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

	Year Ended December 31,		Change	
	2024	2023	Increase/ (Decrease)	Percent
General Fund:				
Taxes	\$ 3,329,056	\$ 2,995,144	\$ 333,912	11.1 %
Special Assessments	1,206	1,427	(221)	(15.5)
Licenses and Permits	1,211,149	908,351	302,798	33.3
Intergovernmental	722,507	1,174,895	(452,388)	(38.5)
Charges for Services	614,971	629,787	(14,816)	(2.4)
Investment Earnings	41,211	32,376	8,835	27.3
Miscellaneous	168,991	155,004	13,987	9.0
Total	<u>\$ 6,089,091</u>	<u>\$ 5,896,984</u>	<u>\$ 192,107</u>	3.3

Total General Fund revenue increased by \$192,107 from the previous year. Taxes continue to be the significant source of funding in the general fund, comprising 54.7% of the total general fund revenues for 2024. The City has increased its reliance upon intergovernmental revenues in recent years, which make up 11.9% of general fund revenues for 2024.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended December 31,		Change	
	2024	2023	Increase/ (Decrease)	Percent
General Fund:				
General Government	\$ 1,150,376	\$ 993,935	\$ 156,441	15.7 %
Public Safety	864,360	717,856	146,504	20.4
Highways and Streets	617,548	622,952	(5,404)	(0.9)
Community Services	1,981,678	1,821,025	160,653	8.8
Total	<u>\$ 4,613,962</u>	<u>\$ 4,155,768</u>	<u>\$ 458,194</u>	11.0

Expenditures were up across all departments except the General Fund in 2024 compared to 2023 with the exception of Highways and Streets which decreased slightly from the prior year. Professional services were up due to the increase in economic development.

General Fund Budgetary Highlights

The 2024 General Fund budget anticipated a balanced budget. Revenues plus other financing sources were expected to be \$5,950,400 while expenditures and other financing uses were expected to be \$5,950,400. The motor vehicle activities are included in the General Fund and typically represent about 5% of all expenditures and other financing uses in the General Fund.

The budget for building permit revenues was a conservative estimate since the City cannot always predict the amount of permits each year and the budget was exceeded in 2024 by \$662,349 due to new developments both residential and commercial. In total revenues were greater than the budget by \$657,691 while expenditures were under budget by \$107,438.

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.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net position can occur from year to year. For fiscal year 2024, enterprise funds net income before contributions and transfers was \$1,262,569 compared to \$619,016 in 2023. The following table (A-6) shows a summary of operations for the enterprise funds.

**Table A-6
Enterprise Funds Summary of Operations**

	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues	Nonoperating Expenses	Net Income Before Capital Contributions and Transfers
Municipal Liquor:						
2024	\$ 1,118,477	\$ 771,430	\$ 347,047	\$ 12,004	\$ 2,067	\$ 356,984
2023	1,120,946	790,952	329,994	7,884	4,905	332,973
Increase / (Decrease)	<u>\$ (2,469)</u>	<u>\$ (19,522)</u>	<u>\$ 17,053</u>	<u>\$ 4,120</u>	<u>\$ (2,838)</u>	<u>\$ 24,011</u>
Sewer:						
2024	\$ 2,236,945	\$ 2,241,378	\$ (4,433)	\$ 1,160,945	\$ 250,927	\$ 905,585
2023	1,908,450	2,183,833	(275,383)	754,204	192,778	286,043
Increase / (Decrease)	<u>\$ 328,495</u>	<u>\$ 57,545</u>	<u>\$ 270,950</u>	<u>\$ 406,741</u>	<u>\$ 58,149</u>	<u>\$ 619,542</u>
Total:						
2024	\$ 3,355,422	\$ 3,012,808	\$ 342,614	\$ 1,172,949	\$ 252,994	\$ 1,262,569
2023	3,029,396	2,974,785	54,611	762,088	197,683	619,016
Increase / (Decrease)	<u>\$ 326,026</u>	<u>\$ 38,023</u>	<u>\$ 288,003</u>	<u>\$ 410,861</u>	<u>\$ 55,311</u>	<u>\$ 643,553</u>

Municipal Liquor

Total sales for the fund increased \$41,886 while the cost of goods sold increased \$44,355. Operating income for the year saw a decrease of \$2,469 or 0.22%.

Sanitary Sewer

Rates remained consistent during 2024. At the end of the year, the fund showed net income before transfers of \$905,585 compared to net income before transfers of \$286,043 in 2023.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

CAPITAL ASSETS

By the end of 2024, the City had invested approximately \$85 million, net of accumulated depreciation and amortization, in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure (see Table A-7). (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation and amortization expense for the year was \$1,941,073 for the enterprise funds.

**Table A-7
The City's Capital Assets**

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change
	2024	2023		2024	2023	
Land	\$ 6,115,878	\$ 6,115,878	- %	\$ 131,434	\$ 131,434	- %
Construction in Progress	6,518,219	5,234,412	24.5	1,141,048	149,814	661.6
Land Improvements	4,785,458	4,662,800	2.6	72,500	72,500	-
Buildings and Building Improvements	13,837,526	13,320,866	3.9	15,922,375	15,825,245	0.6
Infrastructure and Infrastructure Improvements	43,447,568	38,881,727	11.7	18,805,307	18,673,832	0.7
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,589,746	6,277,525	5.0	757,430	690,651	9.7
Leasehold Improvements	-	-	-	190,550	190,550	-
Right-to-Use Assets - Buildings	-	-	-	309,693	309,693	-
Less: Accumulated Depreciation	(19,350,019)	(17,499,808)	10.6	(13,467,198)	(12,598,610)	6.9
Total	<u>\$ 61,944,376</u>	<u>\$ 56,993,400</u>	8.7	<u>\$ 23,863,139</u>	<u>\$ 23,445,109</u>	1.8

Major capital asset transaction/events during the current fiscal year included:

- Substantial completion of the 2023 Streets project at a cost of \$1,504,563.
- A good majority of the work to construct Murphy Lane in the Northwest Business Park took place in 2024 costing \$1,199,554 in 2024.
- A significant amount of work was completed on the new Spirit Park project in 2024. This project will provide an outdoor, covered, chilled ice rink as its primary feature. In addition, another outdoor ice rink will be constructed and a separate area to provide open skating opportunities to the public. Total costs so far are \$4.6 million. The project is about 80% complete.
- For business-type activities, about \$1.1 million was spent in 2024 on a trunk extension for sanitary sewer in the Legacy Woods development area.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

LONG-TERM OBLIGATIONS

At year-end, the City had approximately \$51 million in long-term liabilities outstanding.

- The City's governmental activities total long-term liabilities increased \$2,463,839, due primarily to the governmental activities portion of the 2024A and 2024B bond issuances in 2024.
- The City's business-type activities total long-term liabilities decreased \$482,638 due primarily to the business-type portion of the 2023A bond issuance being transferred to Delano Municipal Utilities in 2024.

**Table A-8
The City's Long-Term Liabilities**

	Governmental Activities		Percent	Business-Type Activities		Percent
	2024	2023	Change	2024	2023	Change
G.O. Bonds	\$ 14,615,689	\$ 15,095,689	(3.2)%	\$ -	\$ -	- %
G.O. Tax Increment Bonds	4,405,000	4,435,000	(0.7)	-	-	-
G.O. Special Assessment Bonds	8,575,000	9,135,000	(6.1)	-	-	-
G.O. Revenue Bonds	1,735,415	3,207,648	(45.9)	6,875,376	7,256,581	(5.3)
G.O. Tax Abatement Bonds	5,145,000	1,590,000	223.6	-	-	-
G.O. Bonds - Commission	6,728,520	5,470,082	23.0	-	-	-
Premium	2,262,184	2,185,000	3.5	466,479	492,608	(5.3)
Lease Liability	-	-	-	24,893	122,640	(79.7)
Compensated Absences	392,762	246,230	59.5	92,403	69,960	32.1
Other Postemployment Benefits	19,857	19,854	0.0	5,802	5,802	-
Total	<u>\$ 43,879,427</u>	<u>\$ 41,384,503</u>	6.0	<u>\$ 7,464,953</u>	<u>\$ 7,947,591</u>	(6.1)

FACTORS BEARING ON THE CITY'S FUTURE

Many factors were considered when the City's budget was prepared for 2023 and for 2024. Some of the more important ones are as follows:

- The City issued 107 new home permits in 2024. These had a value of \$33,442,511.
- Values for all permits have been \$29, \$87, \$35, \$41, and \$68 million for the years 2020 through 2024, respectively.
- The City's tax capacity has grown from \$7.0 million in 2020 to \$12.0 million in 2025. An average of 11.4% per year.
- The median household income for Delano was \$118,091 compared to the State median household income of \$87,556.
- The impacts on cost of services due to economic policies at the federal and state levels.

The City maintains an adequate fund balance and working capital at year-end in the General Fund to avoid cash borrowings until property tax revenues are received around mid-year.

The City annually reviews sanitary sewer and storm water rates to determine if cash flow needs are adequate to meet expected outflows for the coming year and the following five years. Rates for both sanitary sewer and storm water have remained level since 2015.

**CITY OF DELANO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the City of Delano's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Delano, City Finance Director, P.O. Box 108, Delano, Minnesota 55328. This report is also available on the City's website: www.delano.mn.us.

BASIC FINANCIAL STATEMENTS

**CITY OF DELANO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Governmental Activities	Business-Type Activities	Total	Component Unit Delano Water, Light, and Power Commission
ASSETS				
Cash and Investments	\$ 14,698,688	\$ 3,312,476	\$ 18,011,164	\$ 4,291,723
Restricted Cash and Investments	-	-	-	5,699,903
Accounts Receivable	140,753	-	140,753	1,242,230
Taxes Receivable	88,075	-	88,075	-
Special Assessments Receivable	7,445,019	-	7,445,019	-
Internal Balances	(1,981,584)	1,981,584	-	-
Note Receivable	24,956	-	24,956	-
Due from Other Governmental Units	228,996	-	228,996	-
Note Receivable - Commission	6,728,520	-	6,728,520	-
Inventories	-	572,790	572,790	2,009,869
Prepaid Items	29,131	73,463	102,594	87
Due from Primary Government/Component Unit	39,451	198,431	237,882	-
Land Held for Resale	665,000	-	665,000	-
Net Pension Asset	401,874	-	401,874	-
Lease Receivable	46,719	-	46,719	-
Capital Assets:				
Capital Assets, Not Being Depreciated	12,634,097	1,272,482	13,906,579	5,919,312
Capital Assets, Being Depreciated and Amortized, Net	49,310,279	22,590,657	71,900,936	32,088,721
Total Assets	90,499,974	30,001,883	120,501,857	51,251,845
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	443,607	68,658	512,265	148,875
Total Deferred Outflows of Resources	443,607	68,658	512,265	148,875
LIABILITIES				
Accounts Payable	287,420	267,341	554,761	1,292,714
Contracts Payable	2,633,502	-	2,633,502	-
Accrued Expenses	129,719	30,487	160,206	68,285
Sales Tax Payable	-	41,643	41,643	-
Due to Other Governmental Units	159,292	-	159,292	-
Due to Primary Government/Component Unit	-	-	-	237,882
Deposits	75,501	4,854	80,355	100,935
Unearned Revenue	242,188	-	242,188	400,324
Accrued Interest Payable	583,842	105,550	689,392	116,526
Noncurrent Liabilities:				
Lease Liability - Due Within One Year	-	24,893	24,893	178,973
Lease Liability - Due in More Than One year	-	-	-	1,023,803
Net Pension Liability	831,302	237,029	1,068,331	516,263
Due Within One Year	1,592,887	511,917	2,104,804	884,297
Due in More Than One Year	42,266,683	6,922,341	49,189,024	15,904,529
Total OPEB Liability	19,857	5,802	25,659	-
Total Liabilities	48,822,193	8,151,857	56,974,050	20,724,531
DEFERRED INFLOWS OF RESOURCES				
Regulatory Collections to Cover Future Costs	-	-	-	463,119
Deferred Inflow - Gain on Refunding	50,626	-	50,626	-
Deferred Inflow - Leases	56,349	-	56,349	-
Pension Related	619,771	158,543	778,314	366,167
Total Deferred Inflows of Resources	726,746	158,543	885,289	829,286
NET POSITION				
Net Investment in Capital Assets	18,750,565	16,871,284	35,621,849	23,954,659
Restricted for:				
Restricted Cash and Investments	-	-	-	1,144,904
Economic Development Activities	453,598	-	453,598	-
Park Improvements	401,821	-	401,821	-
Future Debt Retirement	16,206,541	-	16,206,541	-
Developer Projects	13,047	-	13,047	-
Park Dedication	1,323,072	-	1,323,072	-
Capital Projects	522,180	-	522,180	-
Fire Equipment	845,761	-	845,761	-
Fire Building	402,501	-	402,501	-
Fire Department	683,473	-	683,473	-
Unrestricted	1,792,083	4,888,857	6,680,940	4,747,340
Total Net Position	\$ 41,394,642	\$ 21,760,141	\$ 63,154,783.00	\$ 29,846,903

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Expenses	Program Revenues		
		Fee, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 1,382,638	\$ 939,986	\$ -	\$ -
Public Safety	1,794,894	244,393	380,668	-
Highways and Streets	4,491,039	901,835	96,153	-
Economic Development	1,557,122	1,122,029	5,000	-
Community Services	3,308,674	494,266	65,907	-
Interest on Long-Term Debt	1,535,883	-	-	-
Total Governmental Activities	14,070,250	3,702,509	547,728	-
Business-Type Activities:				
Municipal Liquor	3,627,468	3,972,448	-	-
Sewer	2,492,305	2,949,671	-	-
Total Business-Type Activities	6,119,773	6,922,119	-	-
Total Primary Government	20,190,023	10,624,628	547,728	-
COMPONENT UNIT				
Delano Water, Light, and Power Commission	9,917,394	10,307,977	-	381,021
Total Component Unit	9,917,394	10,307,977	-	381,021
Total	<u>\$ 30,107,417</u>	<u>\$ 20,932,605</u>	<u>\$ 547,728</u>	<u>\$ 381,021</u>

GENERAL REVENUES AND TRANSFERS

Taxes:

Property Taxes

Tax Increment

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

CHANGES IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Net Revenue (Expense) and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Delano Water, Light, and Power Commission
\$ (442,652)	\$ -	\$ (442,652)	\$ -
(1,169,833)	-	(1,169,833)	-
(3,493,051)	-	(3,493,051)	-
(430,093)	-	(430,093)	-
(2,748,501)	-	(2,748,501)	-
(1,535,883)	-	(1,535,883)	-
(9,820,013)	-	(9,820,013)	-
-	344,980	344,980	-
-	457,366	457,366	-
-	802,346	802,346	-
(9,820,013)	802,346	(9,017,667)	-
-	-	-	771,604
-	-	-	771,604
(9,820,013)	802,346	(9,017,667)	771,604
4,915,970	-	4,915,970	-
819,045	-	819,045	-
1,031,299	-	1,031,299	-
205,298	44,525	249,823	-
3,456,358	1,645,074	5,101,432	433,372
570,367	(570,367)	-	-
10,998,337	1,119,232	12,117,569	433,372
1,178,324	1,921,578	3,099,902	1,204,976
40,216,318	19,838,563	60,054,881	28,641,927
\$ 41,394,642	\$ 21,760,141	\$ 63,154,783	\$ 29,846,903

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2024**

	General	Capital Projects	Debt Service	TIF #9 Delano Legacy	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 4,512,656	\$ 3,274,418	\$ 2,614,076	\$ -	\$ 4,297,538	\$ 14,698,688
Accounts Receivable	62,285	-	-	-	78,468	140,753
Note Receivable	-	-	6,728,520	-	24,956	6,753,476
Taxes Receivable	62,887	-	23,413	-	1,775	88,075
Special Assessments Receivable	21,194	13,212	7,410,613	-	-	7,445,019
Due from Component Unit	18,384	-	-	-	21,067	39,451
Land Held for Resale	-	600,000	-	-	65,000	665,000
Due from Other Governmental Units	82,508	94,898	13,761	-	37,829	228,996
Prepaid Items	27,130	-	-	-	2,001	29,131
Lease Receivable	3,928	-	-	-	42,791	46,719
Total Assets	<u>\$ 4,790,972</u>	<u>\$ 3,982,528</u>	<u>\$ 16,790,383</u>	<u>\$ -</u>	<u>\$ 4,571,425</u>	<u>\$ 30,135,308</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 111,048	\$ 106,950	\$ -	\$ -	\$ 69,422	\$ 287,420
Contracts Payable	-	2,633,502	-	-	-	2,633,502
Accrued Compensation	90,733	-	-	-	38,986	129,719
Due to Other Funds	-	-	-	-	714,248	714,248
Advances from Other Funds	-	-	-	789,397	477,939	1,267,336
Due to Other Governmental Units	159,292	-	-	-	-	159,292
Deposits	317,689	-	-	-	-	317,689
Total Liabilities	<u>678,762</u>	<u>2,740,452</u>	<u>-</u>	<u>789,397</u>	<u>1,300,595</u>	<u>5,509,206</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	84,480	108,110	7,434,027	-	26,731	7,653,348
Deferred Inflow - Leases	3,928	-	-	-	52,421	56,349
Total Deferred Inflows of Resources	<u>88,408</u>	<u>108,110</u>	<u>7,434,027</u>	<u>-</u>	<u>79,152</u>	<u>7,709,697</u>
FUND BALANCE						
Nonspendable for Prepaid Items	27,130	-	-	-	2,001	29,131
Nonspendable for Land Held for Resale	-	600,000	-	-	65,000	665,000
Restricted:						
Economic Development Activities	-	-	-	-	480,373	480,373
Park Improvements	-	-	-	-	401,821	401,821
Future Debt Retirement	-	-	9,356,356	-	-	9,356,356
Developer Projects	-	13,047	-	-	-	13,047
Park Dedication	-	1,323,072	-	-	-	1,323,072
Capital Projects	-	(849,652)	-	-	-	(849,652)
Elevator Reserve	-	25,000	-	-	-	25,000
Fire Equipment	-	-	-	-	845,761	845,761
Fire Building	-	-	-	-	402,501	402,501
Fire Department	-	-	-	-	683,473	683,473
Committed for Senior Activities	-	-	-	-	214,588	214,588
Assigned:						
Community Room	-	22,499	-	-	-	22,499
Unassigned	3,996,672	-	-	(789,397)	96,160	3,303,435
Total Fund Balance	<u>4,023,802</u>	<u>1,133,966</u>	<u>9,356,356</u>	<u>(789,397)</u>	<u>3,191,678</u>	<u>16,916,405</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,790,972</u>	<u>\$ 3,982,528</u>	<u>\$ 16,790,383</u>	<u>\$ -</u>	<u>\$ 4,571,425</u>	<u>\$ 30,135,308</u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024**

Total Fund Balance for Governmental Funds	\$ 16,916,405
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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 and Land Improvements	10,901,336
Construction in Progress	6,518,219
Buildings and Building Improvements	13,837,526
Infrastructure and Infrastructure Improvements	43,447,568
Furniture, Fixtures, Vehicles, Equipment, and Machinery	6,589,746
Less: Accumulated Depreciation	(19,350,019)

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

Delinquent Property Taxes	88,075
Delinquent and Unavailable Special Assessments	7,445,019
Unavailable Other Receivables	94,898
Loans Receivable	25,356

The City's net pension liability and net pension asset and the related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Asset	401,874
Net Pension Liability	(831,302)
Deferred Outflows of Resources - Pension	443,607
Deferred Inflows of Resources - Pension	(619,771)

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

Bonds and Notes Payable	(41,204,624)
Bond Premiums	(2,262,184)
Compensated Absences	(392,762)
Other Postemployment Benefits	(19,857)
Accrued Interest Payable	(583,842)
Gain on Refunding	(50,626)

Total Net Position of Governmental Activities	<u>\$ 41,394,642</u>
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See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2024**

	General	Capital Projects	Debt Service	TIF #9 Delano Legacy	TIF #13 Granite Works	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 3,329,056	\$ -	\$ 1,481,567	\$ -	\$ -	\$ 104,135	\$ 4,914,758
Tax Increment	-	-	-	58,494	-	755,985	814,479
Special Assessments	1,206	414,667	63,044	-	-	6,797	485,714
Licenses and Permits	1,211,149	-	-	-	-	36	1,211,185
Intergovernmental	722,507	228,813	-	-	-	561,639	1,512,959
Charges for Services	614,971	361,931	-	-	-	810,080	1,786,982
Investment Earnings	41,211	92,839	15,085	178	-	55,985	205,298
Rental Income	-	-	-	-	-	24,938	24,938
Miscellaneous	168,991	555,000	1,657,526	-	-	75,527	2,457,044
Total Revenues	6,089,091	1,653,250	3,217,222	58,672	-	2,395,122	13,413,357
EXPENDITURES							
Current:							
General Government	1,150,376	285,457	-	-	-	-	1,435,833
Public Safety	864,360	17,245	-	-	-	870,768	1,752,373
Highways and Streets	617,548	4,425,807	-	-	-	-	5,043,355
Economic Development	-	710,572	-	5,849	-	410,718	1,127,139
Community Services	1,981,678	5,533,448	-	-	-	510,273	8,025,399
Debt Service:							
Principal	-	-	1,403,795	-	-	-	1,403,795
Interest and Fiscal Charges	-	-	1,618,911	40,106	-	51,910	1,710,927
Total Expenditures	4,613,962	10,972,529	3,022,706	45,955	-	1,843,669	20,498,821
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,475,129	(9,319,279)	194,516	12,717	-	551,453	(7,085,464)
OTHER FINANCING SOURCES (USES)							
Transfers In	519,000	827,192	1,116,964	-	-	984,161	3,447,317
Transfers Out	(1,631,371)	(459,470)	-	-	-	(786,109)	(2,876,950)
Premium on Bonds	-	324,372	-	-	-	-	324,372
Issuance of Debt	-	3,574,796	100,204	-	-	-	3,675,000
Proceeds on Capital Asset Disposal	-	1,172,508	-	-	-	1,950	1,174,458
Total Other Financing Sources (Uses)	(1,112,371)	5,439,398	1,217,168	-	-	200,002	5,744,197
NET CHANGE IN FUND BALANCE	362,758	(3,879,881)	1,411,684	12,717	-	751,455	(1,341,267)
Fund Balance - Beginning, As Originally Reported	3,661,044	5,013,847	7,944,672	-	668,463	969,646	18,257,672
Adjustment	-	-	-	(802,114)	(668,463)	1,470,577	-
Fund Balance - Beginning, As Adjusted	3,661,044	5,013,847	7,944,672	(802,114)	-	2,440,223	18,257,672
FUND BALANCE - END OF YEAR	<u>\$ 4,023,802</u>	<u>\$ 1,133,966</u>	<u>\$ 9,356,356</u>	<u>\$ (789,397)</u>	<u>\$ -</u>	<u>\$ 3,191,678</u>	<u>\$ 16,916,405</u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,341,267)
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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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	6,892,049
Depreciation Expense	(1,941,073)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	90,392
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Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(146,532)
Other Postemployment Benefits and related Deferred Outflows and Inflows of Resources	(3)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and net pension asset and the related deferred outflows and inflows of resources.	101,371
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond Proceeds	(3,675,000)
Change in Bond Premiums	(77,184)
Repayment of Bond Principal	1,403,795
Change in Gain on Refunding	4,783
Change in Accrued Interest Expense for General Obligation Bonds	(133,007)

Change in Net Position of Governmental Activities	\$ <u>1,178,324</u>
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See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Municipal Liquor	Sewer	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 509,612	\$ 2,802,864	\$ 3,312,476
Due from Other Funds	714,248	-	714,248
Due from Discretely Presented Component Unit	-	198,431	198,431
Inventories	572,790	-	572,790
Prepaid Items	14,593	58,870	73,463
Total Current Assets	<u>1,811,243</u>	<u>3,060,165</u>	<u>4,871,408</u>
NONCURRENT ASSETS			
Advances to Other Funds	-	1,267,336	1,267,336
Capital Assets:			
Utility Plant Capital Investments	-	34,931,616	34,931,616
Furniture, Fixtures, Vehicles, Equipment, and Machinery	46,085	711,345	757,430
Leasehold Improvements	190,550	-	190,550
Construction in Progress	6,273	1,134,775	1,141,048
Right-to-Use Assets	309,693	-	309,693
Total Capital Assets	<u>552,601</u>	<u>36,777,736</u>	<u>37,330,337</u>
Less: Accumulated Depreciation and Amortization	<u>(445,204)</u>	<u>(13,021,994)</u>	<u>(13,467,198)</u>
Total Net Capital Assets	<u>107,397</u>	<u>23,755,742</u>	<u>23,863,139</u>
Total Noncurrent Assets	<u>107,397</u>	<u>25,023,078</u>	<u>25,130,475</u>
Total Assets	1,918,640	28,083,243	30,001,883
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	34,155	34,503	68,658
Total Deferred Outflows of Resources	<u>34,155</u>	<u>34,503</u>	<u>68,658</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,952,795</u>	<u>\$ 28,117,746</u>	<u>\$ 30,070,541</u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2024**

	Municipal Liquor	Sewer	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 209,605	\$ 57,736	\$ 267,341
Accrued Compensation	16,320	14,167	30,487
Compensated Absences, Current Portion	21,840	28,631	50,471
Sales Tax Payable	41,643	-	41,643
Deposits	4,854	-	4,854
Accrued Interest Payable	-	105,550	105,550
Current Portion of Long-Term Debt	-	511,917	511,917
Current Portion of Lease Liability	24,893	-	24,893
Total Current Liabilities	<u>319,155</u>	<u>718,001</u>	<u>1,037,156</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	-	6,829,938	6,829,938
Compensated Absences	23,733	18,199	41,932
Other Postemployment Benefits	3,200	2,602	5,802
Net Pension Liability	117,915	119,114	237,029
Total Long-Term Liabilities	<u>144,848</u>	<u>6,969,853</u>	<u>7,114,701</u>
Total Liabilities	464,003	7,687,854	8,151,857
DEFERRED INFLOWS OF RESOURCES			
Pension Related	78,871	79,672	158,543
Total Deferred Inflows of Resources	<u>78,871</u>	<u>79,672</u>	<u>158,543</u>
NET POSITION			
Net Investment in Capital Assets	107,397	16,763,887	16,871,284
Unrestricted	1,302,524	3,586,333	4,888,857
Total Net Position	<u>1,409,921</u>	<u>20,350,220</u>	<u>21,760,141</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,952,795</u>	<u>\$ 28,117,746</u>	<u>\$ 30,070,541</u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024**

	Municipal Liquor	Sewer	Total
OPERATING REVENUES			
Sales	\$ 3,972,448	\$ 2,236,945	\$ 6,209,393
Costs of Goods Sold	(2,853,971)	-	(2,853,971)
Total Operating Revenues	<u>1,118,477</u>	<u>2,236,945</u>	<u>3,355,422</u>
OPERATING EXPENSES			
Employee Salaries and Benefits	373,896	387,991	761,887
Administrative, Maintenance, and General Expenses	278,234	1,090,094	1,368,328
Depreciation and Amortization	119,300	763,293	882,593
Total Operating Expenses	<u>771,430</u>	<u>2,241,378</u>	<u>3,012,808</u>
OPERATING INCOME (LOSS)	347,047	(4,433)	342,614
OTHER INCOME (EXPENSES)			
Permits and Fees	-	1,072,310	1,072,310
Investment Earnings	11,969	88,635	100,604
Interest and Fiscal Charges	(2,067)	(250,927)	(252,994)
Miscellaneous Revenue	35	-	35
Total Other Income	<u>9,937</u>	<u>910,018</u>	<u>919,955</u>
NET INCOME BEFORE CONTRIBUTIONS, GAIN, AND TRANSFERS	356,984	905,585	1,262,569
Capital Contributions	-	1,229,376	1,229,376
Transfers Out	(125,000)	(445,367)	(570,367)
CHANGE IN NET POSITION	231,984	1,689,594	1,921,578
Net Position - Beginning of Year	<u>1,177,937</u>	<u>18,660,626</u>	<u>19,838,563</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,409,921</u></u>	<u><u>\$ 20,350,220</u></u>	<u><u>\$ 21,760,141</u></u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024**

	Municipal Liquor	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Service Users	\$ 3,972,448	\$ 2,244,156	\$ 6,216,604
Cash Paid to Suppliers and Others	(3,110,749)	(1,220,426)	(4,331,175)
Cash Paid to Employees	(398,752)	(384,943)	(783,695)
Net Cash Provided by Operating Activities	<u>462,947</u>	<u>638,787</u>	<u>1,101,734</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Noncapital Income	35	1,072,310	1,072,345
Transfers Out	(125,000)	(445,367)	(570,367)
Payments to / Receipts from Other Funds	(714,248)	1,745,486	1,031,238
Payments to / Receipts from Other Governments	<u>-</u>	<u>(9,510)</u>	<u>(9,510)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(839,213)	2,362,919	1,523,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(10,316)	(60,931)	(71,247)
Collections from Customers for Service			
Issuance Costs of Long-Term Debt	-	(4,850)	(4,850)
Principal Paid on Leases	(97,747)	-	(97,747)
Principal Payments on Revenue Bonds	-	(381,205)	(381,205)
Interest Paid on Long-Term Debt	<u>(2,067)</u>	<u>(289,471)</u>	<u>(291,538)</u>
Net Cash Used by Capital and Related Financing Activities	(110,130)	(736,457)	(846,587)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>11,969</u>	<u>88,635</u>	<u>100,604</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(474,427)	2,353,884	1,879,457
Cash and Cash Equivalents - Beginning of Year	<u>984,039</u>	<u>448,980</u>	<u>1,433,019</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 509,612</u></u>	<u><u>\$ 2,802,864</u></u>	<u><u>\$ 3,312,476</u></u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Municipal Liquor	Sewer	Total
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 347,047	\$ (4,433)	\$ 342,614
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	119,300	763,293	882,593
(Increase) Decrease in Assets:			
Accounts Receivable	-	7,211	7,211
Inventories	(3,516)	-	(3,516)
Prepaid Items	(14,593)	(1,619)	(16,212)
Increase in Deferred Outflows of Resources:			
Pensions	26,992	26,508	53,500
Increase (Decrease) in Liabilities:			
Accounts Payable	12,371	(30,025)	(17,654)
Contractor Payable	-	(98,688)	(98,688)
Salaries and Benefits Payable	(13,970)	-	(13,970)
Accrued Sales Tax	27,083	-	27,083
Net Pension Liability	(59,995)	(58,401)	(118,396)
Accrued Wages	-	11,786	11,786
Increase in Deferred Inflows of Resources:			
Pensions	22,228	23,155	45,383
Net Cash Provided by Operating Activities	<u>\$ 462,947</u>	<u>\$ 638,787</u>	<u>\$ 1,101,734</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Capital Asset Additions from Governmental Activities	<u>\$ -</u>	<u>\$ 7,211</u>	<u>\$ 7,211</u>

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024**

	Custodial Fund - Licenses
ASSETS	
Cash and Cash Equivalents	\$ 130,594
LIABILITIES	
Due to Other Governmental Units	130,594
NET POSITION	
Held for Other Governments	\$ -

See accompanying Notes to Financial Statements.

**CITY OF DELANO, MINNESOTA
CUSTODIAL FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2024**

	Custodial Fund - Licenses
ADDITIONS	
Licensing Fees	\$ 7,573,450
DEDUCTIONS	
License Fees Paid to State of Minnesota	<u>7,573,450</u>
NET INCREASE IN FIDUCIARY NET POSITION	-
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 manner over the shorter of the lease term or the useful life of the underlying asset.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

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

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>\$ 18,011,164</u>

Discretely Presented Component Unit:

Cash and Cash Equivalents	<u>\$ 9,991,626</u>
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Custodial Fund:

Cash and Cash Equivalents	<u>\$ 130,594</u>
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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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>\$ -</u>	<u>\$ 6,273,122</u>	<u>\$ -</u>	<u>6,273,122</u>
Investments Measured at				
Amortized Cost				292,437
Total				<u>\$ 6,565,559</u>

CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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	<u>\$ 56,993,400</u>	<u>\$ 11,276,385</u>	<u>\$ 6,325,409</u>	<u>\$ 61,944,376</u>

CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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	<u>\$ 23,445,109</u>	<u>\$ 562,717</u>	<u>\$ 144,687</u>	<u>\$ 23,863,139</u>

CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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	<u>\$ 33,769,943</u>	<u>\$ 6,498,981</u>	<u>\$ 2,260,891</u>	<u>\$ 38,008,033</u>

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	<u>\$ 1,941,073</u>
Business-Type Activities:	
Municipal Liquor	\$ 119,300
Sewer	763,293
Total Depreciation and Amortization Expense, Business-Type Activities	<u>\$ 882,593</u>
Discrete Component Unit:	
Total Depreciation and Amortization Expense	<u>\$ 1,747,647</u>

CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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.

CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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				<u>\$ 43,859,570</u>
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				<u>\$ 7,459,151</u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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				<u>\$ 17,991,602</u>

++ 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:

Year Ending December 31.	Governmental Activities				Total
	Bonded Debt *		G.O. Bonds Commission **		
	Principal	Interest	Principal	Interest	
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

Year Ending December 31.	Business-Type Activities				Total
	Bonded Debt		Leases		
	Principal	Interest	Principal	Interest	
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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 CITY INDEBTEDNESS (CONTINUED)

Year Ending December 31,	Discrete Component Unit					Total
	Direct Borrowings		Loans Payable			
	Principal	Interest	Principal	Interest		
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:

Year Ending December 31,	Discrete Component Unit Leases		Discrete Component Unit Service Territory Acquisition		Total
	Principal	Interest	Principal	Interest	
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	<u>\$ 1,202,776</u>	<u>\$ 183,160</u>	<u>\$ 60,623</u>	<u>\$ -</u>	<u>\$ 1,385,936</u>

+ 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	<u>\$ 23,823</u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

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

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u><u>\$ 1,111,384</u></u>

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:

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>\$ 309,452</u>	<u>\$ 714,580</u>

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:

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

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

**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	<u><u>\$ 529,613</u></u>

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	<u><u>\$ 148,875</u></u>	<u><u>\$ 366,167</u></u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

**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:

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

**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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

**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 GERS 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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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
<hr/>	
=	Total Contribution Required
<hr/>	

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>\$ 202,813</u>	<u>\$ 63,734</u>

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:

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

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>100.00 %</u>	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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>1,436,484</u>
Net Position:	
Restricted for Pension Benefits	<u>\$ 1,436,484</u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

	<u>2023</u>
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	<u>(121,447)</u>
Total Pension Liability - Beginning	<u>1,156,057</u>
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	<u>(52,067)</u>
Fiduciary Net Position - Beginning	<u>1,488,551</u>
Fiduciary Net Position - Ending (b)	<u>1,436,484</u>
Association's Net Pension Liability/(Asset) -	
Ending (a) - (b)	<u><u>\$ (401,874)</u></u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	<u>22</u>
Total	<u><u>22</u></u>

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

The details of the changes in the City's total OPEB liability were as follows for 2024:

	Total OPEB Liability
Balance - December 31, 2023	\$ 25,656
Increase (Decrease) for the Year:	
Service Cost	1,664
Interest	1,030
Differences Between Expected and Actual Experience	(2,231)
Changes in Assumptions	(460)
Net Changes	<u>3</u>
Balance - December 31, 2024	<u>\$ 25,659</u>

The following changes in assumptions occurred between the current and prior actuarial valuations.

- The discount rate was updated from 3.77% to 4.08% as of December 31, 2024, as prescribed by GASB No. 75.

Sensitivity of Total OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease (3.08)%	Discount Rate (4.08)%	1% Increase (5.08)%
Net OPEB Liability (Asset)	\$ 27,156	\$ 25,659	\$ 24,222

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of Total OPEB Liability (Continued)

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (7.0% decreasing to 3.4%) or 1-percentage-point higher (9.0% decreasing to 5.04%) than the current health care cost trend rates:

	1% Decrease (7.0% Decreasing to 3.04%)	Health Care Cost Trend Rates (8.0% Decreasing to 4.04%)	1% Increase (9.0% Decreasing to 5.04%)
Net OPEB Liability (Asset)	\$ 23,226	\$ 25,659	\$ 28,422

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024 the City recognized OPEB expense of \$3. At December 31, 2024, the City did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 10 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

The City has deficit fund balances at December 31, 2024, as follows:

Fund	Deficit
Major Funds:	
TIF #9 Delano Legacy	\$ (789,397)
Nonmajor Funds:	
Special Revenue Funds:	
TIF #8 Downtown Redevelopment	(249,245)
TIF #14 Highway 12 / Tiger Drive	(228,694)
TIF#15 125 Woodland Rd	(8,035)
TIF#16 Cemstone	(2,441)
Riverside Commons	(46,217)
Economic Development	(573,115)
Total Nonmajor Funds	<u>\$ (1,107,747)</u>

The City intends to fund these deficits through future tax levies, special assessment levies, tax increments, transfers from other funds, and various other sources.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund receivable and payable balances at December 31, 2024, are as follows:

Fund	Interfund Receivables Due from Other Funds	Interfund Payables Due to Other Funds
Nonmajor Governmental Funds:		
Special Revenue Fund:		
Economic Development	\$ -	\$ 668,190
Fund 315	-	8,035
Riverside Commons	-	35,582
TIF #16 Cemstone		2,441
Enterprise Funds:		
Municipal Liquor	714,248	-
Due from Component Unit (to General Fund)	18,384	-
Due from Component Unit (to Storm Drainage Fund)	21,067	-
Due from Component Unit (to Sewer Fund)	198,431	-
Due to Primary Government from Component Unit	-	237,882
Total Due From/To	<u>\$ 952,130</u>	<u>\$ 952,130</u>

These interfund balances are for the reimbursement of services or utilities provided or temporary cash borrowings and are expected to be repaid in the following year.

Individual fund advances balances at December 31, 2024, are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
Nonmajor Governmental Funds:		
Special Revenue Funds:		
TIF #8 Downtown Redevelopment	\$ -	\$ 249,245
TIF #9 Delano Legacy	-	789,397
TIF #14 Hwy 12 / Tiger Drive	-	228,694
Enterprise Funds:		
Sewer	1,267,336	-
Total Advances	<u>\$ 1,267,336</u>	<u>\$ 1,267,336</u>

The advances from the Sewer Fund are for construction of infrastructure for various projects within the City. The advances from the Sewer Fund to TIF funds for infrastructure improvements are expected to be repaid with tax increments collected over the lives of the applicable districts. None of these advances are expected to be repaid within one year.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers between funds during 2024 are as follows:

	Amount	Description
Major Funds:		
Transfers to General Fund from:		
Municipal Liquor Fund	\$ 125,000	Annual Contribution
Sanitary Sewer Fund	394,000	Annual Contribution
Total Transfers to General Fund	<u>519,000</u>	
Transfers to Capital Projects Fund from:		
General Fund	388,324	Fund Balance
General Fund	371,000	Annual Contribution
General Fund	4,000	Annual Contribution
TIF #12 - West Metro Business Park	63,868	Transfer Project
Total Transfers to Capital Projects Fund	<u>827,192</u>	
Transfers to Debt Service Fund from:		
Abatement District #1	93,000	Debt Service
TIF #8 - Downtown Redevelopment	33,825	Debt Service
Sanitary Sewer Fund	51,367	Debt Service
Storm Water Fund	259,573	Debt Service
TIF #12 - West Metro Business Park	285,843	Debt Service
Business Park Fund	343,356	Debt Service
TIF #13 - 313 Granite Works	50,000	Debt Service
Total Transfers to Debt Service Fund	<u>1,116,964</u>	
Total Transfers to Major Funds	2,463,156	
Nonmajor Funds:		
Transfer to Rental Operations Special Revenue Fund from:		
Public Works Building Construction	20,113	Operating Costs
Total Transfer to Riverside Commons Special Revenue Fund	<u>20,113</u>	
Transfer to TIF #13 - Granite Works Redevelopment Fund from:		
General Capital Improvements Fund	96,000	Operating Costs
Total Transfer to TIF #13 - Granite Works Redevelopment Fund	<u>96,000</u>	
Transfers to Fire Department Special Revenue Fund from:		
General Fund	233,000	Annual Contribution
General Fund	300,648	Operating Costs
Total Transfers to Fire Department Special Revenue Fund	<u>533,648</u>	
Transfers to Senior Center Special Revenue Fund from:		
General Fund	298,400	Operating Costs
General Fund	14,000	Annual Contribution
Total Transfers to Senior Center Special Revenue Fund	<u>312,400</u>	
Transfer to Economic Development Fund from:		
General Fund	22,000	Operating Costs
Total Transfer to Economic Development Fund	<u>22,000</u>	
Total Transfers to Nonmajor Governmental Funds	<u>984,161</u>	
Total Interfund Transfers	<u>\$ 3,447,317</u>	

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool for its workers' compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

The City continues to carry commercial insurance for all other risks of loss, including disability and employee health insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Discretely Presented Component Unit – Electrical Power

Under authorization of state statutes, the Commission joined Central Minnesota Municipal Power Agency (CMMPA) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. In 2015, CMMPA changed its name to Central Municipal Power Agency/Services (CMPAS). The governing body consists of members from each of the member utilities who are elected by the respective local utility commissions. Complete financial statements may be obtained by contacting CMPAS at 459 South Grove Street, Blue Earth, Minnesota, 56013.

In September 2003, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase electrical power from a new power plant constructed by the Omaha Public Power District (OPPD) and to provide a share of the construction funding. This new plant was completed and operational in 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 2 megawatts from this 600-megawatt plant. The Commission's share of construction costs approximate \$3,300,000. These construction costs are expected to be paid to CMMPA or OPPD via electricity purchase rates over the life of the 40-year contract.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Discretely Presented Component Unit – Electrical Power (Continued)

If other participants in this project were to default, the Commission could be held responsible for up to 160% of its stated commitment.

In 2010, the Commission signed a pre-execution subscription agreement with CMPAS (formerly CMMPA) to purchase 1.0MW of electrical power from the Iberdrola Wind Project in Rugby, South Dakota. CMMPA has a 13.1MW subscription that is allocated among its members based on agreed upon levels of commitment. The contractual period for this contract is January 1, 2011 to December 31, 2025. In 2011, the Commission signed another agreement with CMPAS to purchase an additional 2.6MW of electrical power from the Iberdrola Wind Project for a total commitment of 3.6MW.

In 2012, the Commission signed an agreement to commit to purchasing power from the WPPI/Point Beach Nuclear Project. This agreement is for 1.20 MW of energy annually and extends through March 8, 2033.

In April 2007, the Commission and other municipal utilities signed an unsecured guaranty of a stand-by letter of credit between Utilities Plus (a component unit of CMMPA) and a bank. The letter of credit is to be used by Utilities Plus for payment of transmission or transmission service obligations to Midwest Independent Transmission System Operator, Inc. (MISO). The Commission's share of the guaranty is not to exceed \$434,734. Additionally, the Commission's guaranty only applies to transactions involving the Commission's purchase of electricity, transmission, and transmission services from Utilities Plus. No changes were made to this agreement during 2024 and there is no outstanding balance on the line of credit.

In December 2020, the Commission signed an agreement to commit to purchasing power from AEP Energy Partners, Inc. agreement runs from January 1, 2021 through May 31, 2030.

As of December 31, 2024, the Commission has active construction projects. The commitments with contractors total \$1,656,550 as of year-end.

Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. Management is not aware of any disallowed claims at this time. The City administration believes such disallowances, if any, will be immaterial.

Law Enforcement Protection

The City contracts with the Wright County Sheriff for law enforcement protection. The current contract covers fiscal year 2025 and 2026. The total remaining commitment for contracted services is approximately \$803,000 for 2025 and \$839,500 for 2026.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Wastewater

The City contracts with Veolia Water North America-Central, LLC for maintenance and operations services for the City's Wastewater Treatment Plant. The current contract extends through 2024.

Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management is not aware of any instances of noncompliance which would have a material effect on the financial statements.

Construction Commitments

At December 31, 2024, the City had construction projects in progress. The commitments related to the remaining contract balances are summarized as follows:

Project	Certified Cost	Incurred to Date*	Remaining Committed
Spirit Park - Refrigeration (Fund 439)	\$ 3,171,767	\$ 1,534,462	\$ 1,637,305
Spirit Park - Ice Park Exp. (Fund 439)	3,965,096	2,877,461	1,087,634
Heritage Building Elevator (Fund 401)	611,531	605,879	5,652
2024 West Metro Bus. Pk. Extension (Fund 417)	2,224,635	980,344	1,244,291
Southeast Trunk Sewer Project (Fund 435)	1,593,337	1,307,553	285,784
Total	<u>\$ 11,566,366</u>	<u>\$ 7,305,699</u>	<u>\$ 4,260,667</u>

* Includes Contracts Payable Amount

NOTE 14 RELATED PARTIES – DISCRETELY PRESENTED COMPONENT UNIT

An employee of the Commission is also a member of CMPAS Board of Directors.

NOTE 15 ACCOUNTING CHANGES AND ERROR CORRECTIONS

Change in Fund Presentation from Major to Nonmajor

Special Revenue TIF #13 Granite Works Redevelopment TIF District previously met the criteria to be reported as a major governmental fund. However, effective January 1, 2024, the fund no longer met the criteria to be reported as a major fund and is reported as a nonmajor governmental fund for the fiscal year ended December 31, 2024.

**CITY OF DELANO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 15 ACCOUNTING CHANGES AND ERROR CORRECTIONS (CONTINUED)

Change in Fund Presentation from Major to Nonmajor

Special Revenue TIF #9 Delano Legacy TIF District previously did not meet the criteria to be reported as a major governmental fund. However, effective January 1, 2024, the fund met the criteria to be reported as a major fund and is reported as a major governmental fund for the fiscal year ended December 31, 2024.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, changes within the financial reporting entity resulted in adjustments to beginning net position and fund net position, as follows:

	Funds		
	TIF #9 Delano Legacy	TIF #13 Granite Works	Nonmajor Governmental Funds
December 31, 2023, As Previously Reported	\$ -	\$ 668,463	\$ 969,646
Change in Fund Presentation from Major to Nonmajor	-	(668,463)	668,463
Change in Fund Presentation from Nonmajor to Major	(802,114)	-	802,114
December 31, 2023, As Adjusted or Restated	<u>\$ (802,114)</u>	<u>\$ -</u>	<u>\$ 2,440,223</u>

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**CITY OF DELANO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Property Taxes	\$ 3,262,418	\$ 3,262,418	\$ 3,329,056	\$ 66,638
Special Assessments	-	-	1,206	1,206
Licenses and Permits:				
Building Permits	150,000	150,000	812,503	662,503
Other	398,800	398,800	398,646	(154)
Total Licenses and Permits	548,800	548,800	1,211,149	662,349
Intergovernmental:				
Local Government Aid	569,682	569,682	571,862	2,180
Market Value Credit	500	500	391	(109)
Police State Aid	29,000	29,000	44,474	15,474
County Recycling Aid	12,000	12,000	11,484	(516)
Other Federal, State, and County Aids	86,600	86,600	94,296	7,696
Total Intergovernmental	697,782	697,782	722,507	24,725
Charges for Services:				
Administrative TIF Reimbursement	68,300	68,300	38,869	(29,431)
Franchise Fees	465,000	465,000	437,575	(27,425)
Other	214,900	214,900	138,527	(76,373)
Total Charges for Services	748,200	748,200	614,971	(133,229)
Investment Earnings	10,200	10,200	41,211	31,011
Miscellaneous:				
Lease Principal	-	-	4,507	4,507
Lease Interest	-	-	293	293
Other	164,000	164,000	164,191	191
Total Miscellaneous	164,000	164,000	168,991	4,991
Total Revenues	5,431,400	5,431,400	6,089,091	657,691

See accompanying Notes to Required Supplementary Information.

**CITY OF DELANO, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual	Variance from Final Budget
EXPENDITURES				
General Government:				
Mayor and Council	\$ 77,800	\$ 77,800	\$ 66,083	\$ 11,717
Administration	796,600	796,600	742,540	54,060
Financial	343,300	343,300	341,753	1,547
Total General Government	1,217,700	1,217,700	1,150,376	67,324
Public Safety:				
Police Contract	836,000	836,000	838,331	(2,331)
Flood Control	28,000	28,000	1,353	26,647
Animal Control	5,400	5,400	3,600	1,800
Insurance	4,500	4,500	3,932	568
Utilities	2,700	2,700	1,682	1,018
Other Operating Costs and Supplies	39,500	39,500	15,462	24,038
Total Public Safety	916,100	916,100	864,360	51,740
Highways and Streets:				
Professional Services	22,000	22,000	65,093	(43,093)
Streets	574,300	574,300	541,213	33,087
Ice and Snow Removal	48,000	48,000	11,242	36,758
Total Highways and Streets	644,300	644,300	617,548	26,752
Community Services:				
Planning Consultant Fee	63,000	63,000	62,252	748
Park and Other Community Services	1,476,900	1,476,900	1,520,387	(43,487)
Library	38,100	38,100	29,489	8,611
Heritage Center	25,900	25,900	44,298	(18,398)
Motor Vehicle	339,400	339,400	325,252	14,148
Total Community Services	1,943,300	1,943,300	1,981,678	(38,378)
Total Expenditures	4,721,400	4,721,400	4,613,962	107,438
EXCESS OF REVENUES OVER EXPENDITURES	710,000	710,000	1,475,129	765,129
OTHER FINANCING SOURCES (USES)				
Transfers In	519,000	519,000	519,000	-
Transfers Out	(1,229,000)	(1,229,000)	(1,631,371)	(402,371)
Total Other Financing Sources (Uses)	(710,000)	(710,000)	(1,112,371)	(402,371)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	362,758	<u>\$ 362,758</u>
Fund Balance - Beginning of Year			3,661,044	
FUND BALANCE - END OF YEAR			<u>\$ 4,023,802</u>	

See accompanying Notes to Required Supplementary Information.

CITY OF DELANO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1 BUDGETARY INFORMATION

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

1. Prior to September 1, the City 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 in the Council chambers at City Hall to obtain taxpayer comments. The Council then approves the budget for the General Fund and certifies the tax levy.
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. The City has a legally adopted budget for the General Fund, and follows budgets that were not formally adopted for certain Special Revenue Funds, and some enterprise funds. Formal budgetary integration is not employed for the capital projects and debt service funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, capital outlay, etc.) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects or Debt Service funds.
5. The budget for the General Fund is prepared on a basis consistent with accounting principles generally accepted in the United States of America. General Fund budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
LAST SEVEN YEARS*

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:							
Service Cost	\$ 1,664	\$ 2,123	\$ 2,666	\$ 1,554	\$ 1,380	\$ 1,130	\$ 1,832
Interest	1,030	1,659	925	441	494	921	739
Difference Between Expected and Actual Experience	(2,231)	(16,528)	(2,782)	60,578	-	(8,065)	-
Changes of Assumptions	(460)	(445)	(4,207)	(39,583)	741	1,225	(799)
Net Change in Total OPEB Liability	3	(13,191)	(3,398)	22,990	2,615	(4,789)	1,772
Total OPEB Liability - Beginning	25,656	38,847	42,245	19,255	16,640	21,429	19,657
Total OPEB Liability - Ending	<u>\$ 25,659</u>	<u>\$ 25,656</u>	<u>\$ 38,847</u>	<u>\$ 42,245</u>	<u>\$ 19,255</u>	<u>\$ 16,640</u>	<u>\$ 21,429</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 2,500,000	\$ 1,900,000	\$ 1,600,000	\$ 1,400,000	\$ 1,300,000	\$ 1,300,000	\$ 1,247,431
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	1.03%	1.35%	2.43%	3.02%	1.48%	1.28%	1.72%

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

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)
LAST SEVEN YEARS*

Changes in Assumptions:

2023

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 4.05% to 3.77% based on recent muni bond index rates.
- Membership participation was updated from 55% to 50% based on experience and demographics.

2022

- The discount rate was updated from 2.06% to 4.05% based on recent muni bond index rates.

2021

- Medical trend was updated based on recently published trend model and trend surveys to better reflect future anticipated experience.
- Medical per capita claims tables were updated based on recent experience and demographics.
- The discount rate was updated from 2.12% to 2.06% based on recent muni bond index rates.
- Withdrawal, mortality, and salary scale assumptions were updated to those included in the recently published PERA General and Police and Fire actuarial valuations.
- Assumed retirement age was updated from 63 to 64 based on recent experience and updated expectations.

2020

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 2.74% to 2.12%.

2019

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate decreased from 4.09% to 2.74%.

2018

- The discount rate used is the 20-year municipal bond index, as the plan is not funded. This assumed rate increased from 4.00% to 4.09%.
- The actuarial Cost Method was updated along with the implementation of GASB Statement No. 75 to the Entry Age Normal level percent of pay method, with investment gains/losses being amortized over five years, liability gains/losses are amortized over the assumed average working lifetime, and plan changes are recognized immediately. Previously, under GASB Statement No. 45, the Entry Age Normal actuarial cost method was used, and the unfunded actuarial accrued liability was being amortized as a level percent of payroll over a 30-year period.

CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY – GENERAL EMPLOYEES PLAN
LAST TEN YEARS*

Primary Government	Measurement Date June 30,			
	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0289%	0.0279%	0.0266%	0.0250%
City's Proportionate Share of the Net Pension Liability	\$ 1,068,331	\$ 1,560,137	\$ 2,106,728	\$ 1,067,612
State's Proportionate Share of the Net Pension Liability	27,625	43,054	61,808	32,649
Total	<u>\$ 1,095,956</u>	<u>\$ 1,603,191</u>	<u>\$ 2,168,536</u>	<u>\$ 1,100,261</u>
City's Covered Payroll	\$ 2,445,768	\$ 2,218,523	\$ 1,994,846	\$ 1,801,236
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	228.93%	142.20%	94.69%	168.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.10%	83.10%	76.67%	87.00%

* The amounts presented for each fiscal year were determined as of June 30.

Discretely Presented Component Unit	Measurement Date June 30,			
	2024	2023	2022	2021
Commission's Proportion of the Net Pension Liability	0.0140%	0.0133%	0.0127%	0.0142%
Commission's Proportionate Share of the Net Pension Liability	\$ 516,263	\$ 743,721	\$ 1,005,844	\$ 606,404
State's Proportionate Share of the Net Pension Liability	13,350	20,552	29,551	18,602
Total	<u>\$ 529,613</u>	<u>\$ 764,273</u>	<u>\$ 1,035,395</u>	<u>\$ 625,006</u>
Commission's Covered Payroll	\$ 1,141,907	\$ 1,059,760	\$ 954,253	\$ 1,023,987
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	45.21%	70.18%	105.41%	59.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.67%	87.00%

* The amounts presented for each fiscal year were determined as of June 30.

**CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY – GENERAL EMPLOYEES PLAN (CONTINUED)
LAST TEN YEARS***

Measurement Date June 30,					
2020	2019	2018	2017	2016	2015
0.0223%	0.0212%	0.0215%	0.0220%	0.0206%	0.0208%
\$ 1,336,987 41,250	\$ 1,172,100 36,332	\$ 1,192,732 39,115	\$ 1,404,465 17,656	\$ 1,672,618 21,877	\$ 1,077,964 -
<u>\$ 1,378,237</u>	<u>\$ 1,208,432</u>	<u>\$ 1,231,847</u>	<u>\$ 1,422,121</u>	<u>\$ 1,694,495</u>	<u>\$ 1,077,964</u>
\$ 1,588,162	\$ 1,494,048	\$ 1,434,947	\$ 1,416,949	\$ 1,278,579	\$ 1,222,039
118.79%	127.47%	120.31%	100.89%	76.44%	113.37%
79.06%	80.23%	79.53%	75.90%	68.91%	78.20%

Measurement Date June 30,					
2020	2019	2018	2017	2016	2015
0.0133%	0.0119%	0.0128%	0.1450%	0.0163%	0.0165%
\$ 797,396 24,571	\$ 657,923 20,499	\$ 710,092 23,433	\$ 925,670 11,668	\$ 1,323,479 -	\$ 855,166 -
<u>\$ 821,967</u>	<u>\$ 678,422</u>	<u>\$ 733,525</u>	<u>\$ 937,338</u>	<u>\$ 1,323,479</u>	<u>\$ 855,166</u>
\$ 946,251	\$ 843,579	\$ 876,693	\$ 929,242	\$ 1,008,407	\$ 968,376
84.27%	77.99%	81.00%	99.62%	131.24%	88.31%
79.06%	80.23%	79.53%	75.90%	68.96%	78.70%

**CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY CONTRIBUTIONS
LAST TEN YEARS***

General Employees Fund Primary Government	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily Required Contribution	\$ 183,433	\$ 166,406	\$ 155,993	\$ 144,237
Contributions in Relation to the Statutorily Required Contribution	<u>(183,433)</u>	<u>(166,406)</u>	<u>(155,993)</u>	<u>(144,237)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,445,776	\$ 2,316,800	\$ 2,079,910	\$ 1,923,157
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
General Employees Fund Discretely Presented Component Unit	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily Required Contribution	\$ 94,678	\$ 85,779	\$ 71,179	\$ 70,983
Contributions in Relation to the Statutorily Required Contribution	<u>(94,678)</u>	<u>(85,779)</u>	<u>(71,179)</u>	<u>(70,983)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,262,373	\$ 1,143,720	\$ 949,053	\$ 946,440
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
Fire Relief Association Plan	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF DELANO, MINNESOTA
SCHEDULE OF THE CITY CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS***

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 126,686	\$ 114,923	\$ 109,344	\$ 104,774	\$ 99,134	\$ 97,651
<u>(126,686)</u>	<u>(114,923)</u>	<u>(109,344)</u>	<u>(104,774)</u>	<u>(99,134)</u>	<u>(97,651)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,689,147	\$ 1,532,307	\$ 1,457,920	\$ 1,396,987	\$ 1,321,787	\$ 1,302,013
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 77,409	\$ 66,316	\$ 63,356	\$ 64,404	\$ 73,268	\$ 74,844
<u>(77,409)</u>	<u>(66,316)</u>	<u>(63,356)</u>	<u>(64,404)</u>	<u>(73,268)</u>	<u>(74,844)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,032,120	\$ 884,213	\$ 844,747	\$ 858,720	\$ 976,907	\$ 997,920
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2024

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.

2023

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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.

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

General Employees Fund (Continued)

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.

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 two to five 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.

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

General Employees Fund (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 morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

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

2017

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

**CITY OF DELANO, MINNESOTA
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

General Employees Fund (Continued)

2017

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.
- Other assumptions were changed pursuant to the experience study 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.

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE DELANO FIREFIGHTER'S
RELIEF ASSOCIATION'S NET PENSION LIABILITY (ASSET)
LAST TEN YEARS

	Measurement Date December 31,		
	2023	2022	2021
Total Pension Liability:			
Service Cost	\$ 29,405	\$ 31,628	\$ 29,303
Interest	63,724	61,542	55,639
Differences Between Expected and Actual Experience	-	-	-
Plan Changes	32,224	10,354	53,672
Changes of Assumptions	-	(12,927)	-
Gain or Loss	-	(46,647)	-
Benefit Payments, Including Member Contribution			
Refunds	(246,800)	(57,002)	-
Changes in Total Pension Liability Due to Census Data	-	-	-
Other Changes	-	-	-
Net Change in Total Pension Liability	(121,447)	(13,052)	138,614
Total Pension Liability - Beginning	1,156,057	1,169,109	1,030,495
Total Pension Liability - Ending (a)	1,034,610	1,156,057	1,169,109
Plan Fiduciary Net Position:			
Municipal Contributions	-	-	-
State Contributions	78,976	70,484	62,990
Net Investment Income	84,043	88,554	140,914
Benefit Payments	(246,800)	(57,002)	-
Administrative Expenses	(7,847)	(7,394)	(6,191)
Other Changes	39,561	(289,799)	-
Net Change in Fiduciary Net Position	(52,067)	(195,157)	197,713
Fiduciary Net Position - Beginning	1,488,551	1,683,708	1,485,995
Fiduciary Net Position - Ending (b)	1,436,484	1,488,551	1,683,708
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (401,874)</u>	<u>\$ (332,494)</u>	<u>\$ (514,599)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	138.84%	128.76%	144.02%

CITY OF DELANO, MINNESOTA
SCHEDULE OF CHANGES IN THE DELANO FIREFIGHTER'S
RELIEF ASSOCIATION'S NET PENSION LIABILITY (ASSET) (CONTINUED)
LAST TEN YEARS*

Measurement Date December 31,						
2020	2019	2018	2017	2016	2015	2014
\$ 24,940	\$ 23,595	\$ 20,439	\$ 19,940	\$ 38,421	\$ 39,312	\$ 38,354
52,488	48,860	47,362	43,676	27,641	26,906	24,699
-	-	-	-	(35,756)	(75,661)	-
-	26,584	128,736	-	16,435	6,569	-
-	-	6,528	-	-	-	-
(17,466)	-	-	-	-	-	-
(8,580)	(54,000)	-	-	(29,076)	-	-
-	-	-	-	-	-	-
-	-	(72,245)	-	(43,886)	-	-
51,382	45,039	130,820	63,616	(26,221)	(2,874)	63,053
979,113	934,074	803,254	739,638	765,859	768,733	705,680
1,030,495	979,113	934,074	803,254	739,638	765,859	768,733
-	-	32,000	32,000	31,000	31,000	29,500
58,695	59,614	55,747	54,287	54,635	52,252	49,134
116,363	173,215	(78,137)	132,968	72,648	(22,242)	20,102
(8,580)	(54,000)	-	-	(29,076)	-	-
(5,999)	(11,318)	(288)	(302)	(1,138)	(659)	(181)
-	5,089	(4,908)	(5,424)	(18,018)	(15,613)	(3,981)
160,479	172,600	4,414	213,529	110,051	44,738	94,574
1,325,516	1,152,916	1,148,502	934,973	824,922	780,184	685,610
1,485,995	1,325,516	1,152,916	1,148,502	934,973	824,922	780,184
<u>\$ (455,500)</u>	<u>\$ (346,403)</u>	<u>\$ (218,842)</u>	<u>\$ (345,248)</u>	<u>\$ (195,335)</u>	<u>\$ (59,063)</u>	<u>\$ (11,451)</u>
144.20%	135.38%	123.43%	142.98%	126.41%	107.71%	101.49%

**COMBINING AND INDIVIDUAL NONMAJOR
FUND FINANCIAL STATEMENTS**

CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2024

	Storm Drainage	Fire Department	Abatement District #1 Delano Crossing	TIF #7 Delano Commons Project	TIF #8 Downtown Redevelopment	TIF #10 Landscape Structures
ASSETS						
Cash and Investments	\$ 356,257	\$ 1,984,052	\$ 291,555	\$ 19,377	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	-
Prepaid Items	-	89	-	-	-	-
Taxes Receivable	-	-	1,775	-	-	-
Lease Receivable	-	-	-	-	-	-
Due from Component Unit	21,067	-	-	-	-	-
Due from Other Governmental Units	-	-	953	-	-	-
Land Held for Resale	-	-	-	-	-	-
Note Receivable	-	-	-	-	-	-
Total Assets	<u>\$ 377,324</u>	<u>\$ 1,984,141</u>	<u>\$ 294,283</u>	<u>\$ 19,377</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 3,346	\$ 30,984	\$ -	\$ -	\$ -	\$ -
Accrued Compensation	-	21,422	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Advances from Other Funds	-	-	-	-	249,245	-
Total Liabilities	<u>3,346</u>	<u>52,406</u>	<u>-</u>	<u>-</u>	<u>249,245</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	1,775	-	-	-
Deferred Inflows - Lease Receivable	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,775</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Nonspendable:						
Prepaid Items	-	89	-	-	-	-
Nonspendable for Property Held for Resale	-	-	-	-	-	-
Restricted for:						
Economic Development Activities	-	-	292,508	-	-	-
Park Improvements	401,821	-	-	-	-	-
Fire Equipment	-	845,761	-	-	-	-
Fire Building	-	402,501	-	-	-	-
Fire Department	-	683,473	-	-	-	-
Committed for Senior Activities	-	-	-	-	-	-
Unassigned	(27,843)	(89)	-	19,377	(249,245)	-
Total Fund Balance (Deficit)	<u>373,978</u>	<u>1,931,735</u>	<u>292,508</u>	<u>19,377</u>	<u>(249,245)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 377,324</u>	<u>\$ 1,984,141</u>	<u>\$ 294,283</u>	<u>\$ 19,377</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2024

TIF #11 Industrial Louvers	TIF #12 West Metro Business Park	TIF #13 Granite Works Redevelopment	TIF #14 Highway 12 / Tiger Drive	TIF #15 125 Woodland Rd	TIF #16 Cemstone	Riverside Commons	Economic Development	Revolving Loan	Senior Center	Total Nonmajor Special Revenue Funds
\$ 161,220	\$ -	\$ 1,203,889	\$ -	\$ -	\$ -	\$ (78,425)	\$ -	\$ 104,449	\$ 255,164	\$ 4,297,538
-	-	-	-	-	-	78,468	-	-	-	78,468
-	-	-	-	-	-	-	89	-	1,823	2,001
-	-	-	-	-	-	-	-	-	-	1,775
-	-	-	-	-	-	42,791	-	-	-	42,791
-	-	-	-	-	-	-	-	-	-	21,067
-	-	-	-	-	-	-	36,876	-	-	37,829
-	-	-	-	-	-	-	65,000	-	-	65,000
-	-	-	-	-	-	-	24,956	-	-	24,956
<u>\$ 161,220</u>	<u>\$ -</u>	<u>\$ 1,203,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,834</u>	<u>\$ 126,921</u>	<u>\$ 104,449</u>	<u>\$ 256,987</u>	<u>\$ 4,571,425</u>
\$ -	\$ -	\$ 2,319	\$ -	\$ -	\$ -	\$ 1,048	\$ 3,218	\$ -	\$ 28,507	\$ 69,422
-	-	-	-	-	-	-	3,672	-	13,892	38,986
-	-	-	-	8,035	2,441	35,582	668,190	-	-	714,248
-	-	-	228,694	-	-	-	-	-	-	477,939
-	-	2,319	228,694	8,035	2,441	36,630	675,080	-	42,399	1,300,595
-	-	-	-	-	-	-	24,956	-	-	26,731
-	-	-	-	-	-	52,421	-	-	-	52,421
-	-	-	-	-	-	52,421	24,956	-	-	79,152
-	-	-	-	-	-	-	89	-	1,823	2,001
-	-	-	-	-	-	-	65,000	-	-	65,000
83,416	-	-	-	-	-	-	-	104,449	-	480,373
-	-	-	-	-	-	-	-	-	-	401,821
-	-	-	-	-	-	-	-	-	-	845,761
-	-	-	-	-	-	-	-	-	-	402,501
-	-	-	-	-	-	-	-	-	-	683,473
-	-	-	-	-	-	-	-	-	214,588	214,588
77,804	-	1,201,570	(228,694)	(8,035)	(2,441)	(46,217)	(638,204)	-	(1,823)	96,160
<u>161,220</u>	<u>-</u>	<u>1,201,570</u>	<u>(228,694)</u>	<u>(8,035)</u>	<u>(2,441)</u>	<u>(46,217)</u>	<u>(573,115)</u>	<u>104,449</u>	<u>214,588</u>	<u>3,191,678</u>
<u>\$ 161,220</u>	<u>\$ -</u>	<u>\$ 1,203,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,834</u>	<u>\$ 126,921</u>	<u>\$ 104,449</u>	<u>\$ 256,987</u>	<u>\$ 4,571,425</u>

CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2024

	Storm Drainage	Fire Department	Abatement District #1 Delano Crossing	TIF #7 Delano Commons Project	TIF #8 Downtown Redevelopment	TIF #9 Delano Legacy	TIF #11 Industrial Louvers
REVENUES							
Taxes	\$ -	\$ -	\$ 100,174	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	6,797	-	-	-
Tax Increment	-	-	-	22,444	58,521	-	84,934
Licenses and Permits	-	36	-	-	-	-	-
Intergovernmental	-	108,309	-	-	-	-	-
Charges for Services	398,608	244,357	-	-	-	-	-
Investment Earnings	5,118	22,236	3,269	110	33	-	1,363
Rental Income	-	-	-	-	-	-	-
Miscellaneous	-	1,645	-	605	-	-	-
Total Revenues	403,726	376,583	103,443	29,956	58,554	-	86,297
EXPENDITURES							
Public Safety	171,996	692,231	-	-	-	-	-
Economic Development	-	-	-	2,244	5,853	-	8,493
Community Services	-	-	-	-	-	-	-
Debt Service:							
Interest and Fiscal Charges	-	-	-	321	7,809	-	-
Total Expenditures	171,996	692,231	-	2,565	13,662	-	8,493
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	231,730	(315,648)	103,443	27,391	44,892	-	77,804
OTHER FINANCING SOURCES (USES)							
Transfers In	-	533,648	-	-	-	-	-
Transfers Out	(259,573)	-	(93,000)	-	(33,825)	-	-
Proceeds on Capital Asset Disposal	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(259,573)	533,648	(93,000)	-	(33,825)	-	-
NET CHANGE IN FUND BALANCE	(27,843)	218,000	10,443	27,391	11,067	-	77,804
Fund Balances (Deficit) - Beginning of Year, as Originally Reported	401,821	1,713,735	282,065	(8,014)	(260,312)	(802,114)	83,416
Adjustment	-	-	-	-	-	802,114	-
Fund Balance - Beginning, As Adjusted	401,821	1,713,735	282,065	(8,014)	(260,312)	-	83,416
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 373,978</u>	<u>\$ 1,931,735</u>	<u>\$ 292,508</u>	<u>\$ 19,377</u>	<u>\$ (249,245)</u>	<u>\$ -</u>	<u>\$ 161,220</u>

CITY OF DELANO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

TIF #12 West Metro Business Park	TIF #13 Granite Works Redevelopment	TIF #14 Highway 12 / Tiger Drive	TIF #15 125 Woodland Rd	TIF #16 Cemstone	Riverside Commons	Economic Development	Revolving Loan	Senior Center	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,961	\$ -	\$ -	\$ 104,135
-	-	-	-	-	-	-	-	-	6,797
425,787	164,299	-	-	-	-	-	-	-	755,985
-	-	-	-	-	-	-	-	-	36
-	453,330	-	-	-	-	-	-	-	561,639
-	-	-	-	-	-	95,136	-	71,979	810,080
(1,217)	9,989	(1,480)	(71)	(2)	(627)	(8,670)	1,235	24,699	55,985
-	-	-	-	-	11,744	5,527	-	7,667	24,938
-	-	-	-	-	2,370	-	-	70,907	75,527
424,570	627,618	(1,480)	(71)	(2)	13,487	95,954	1,235	175,252	2,395,122
-	-	-	-	-	-	6,541	-	-	870,768
2,439	104,575	23,276	6,646	2,439	-	254,753	-	-	410,718
-	-	-	-	-	34,671	-	-	475,602	510,273
-	35,936	7,844	-	-	-	-	-	-	51,910
2,439	140,511	31,120	6,646	2,439	34,671	261,294	-	475,602	1,843,669
422,131	487,107	(32,600)	(6,717)	(2,441)	(21,184)	(165,340)	1,235	(300,350)	551,453
-	96,000	-	-	-	20,113	22,000	-	312,400	984,161
(349,711)	(50,000)	-	-	-	-	-	-	-	(786,109)
-	-	-	-	-	-	1,950	-	-	1,950
(349,711)	46,000	-	-	-	20,113	23,950	-	312,400	200,002
72,420	533,107	(32,600)	(6,717)	(2,441)	(1,071)	(141,390)	1,235	12,050	751,455
(72,420)	-	(196,094)	(1,318)	-	(45,146)	(431,725)	103,214	202,538	969,646
-	668,463	-	-	-	-	-	-	-	1,470,577
(72,420)	668,463	(196,094)	(1,318)	-	(45,146)	(431,725)	103,214	202,538	2,440,223
\$ -	\$ 1,201,570	\$ (228,694)	\$ (8,035)	\$ (2,441)	\$ (46,217)	\$ (573,115)	\$ 104,449	\$ 214,588	\$ 3,191,678

DISCRETELY PRESENTED COMPONENT UNIT

CITY OF DELANO, MINNESOTA
DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF NET POSITION BY DEPARTMENT
DECEMBER 31, 2024

	Electric	Water	Total
ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Investments	\$ 2,087,418	\$ 2,204,305	\$ 4,291,723
Accounts Receivable	823,559	362,953	1,186,512
Miscellaneous Receivables	49,266	6,452	55,718
Inventories	1,745,627	264,242	2,009,869
Prepaid Items	87	-	87
Total Current Assets	4,705,957	2,837,952	7,543,909
RESTRICTED ASSETS			
Restricted Cash and Cash Equivalents - Debt	812,669	-	812,669
Restricted Cash and Cash Equivalents - Capital	4,554,999	-	4,554,999
Restricted Deposits	332,235	-	332,235
Total Restricted Assets	5,699,903	-	5,699,903
NONCURRENT ASSETS			
Capital Assets:			
Utility Plant Capital Investments	32,440,875	25,009,459	57,450,334
Intangible Assets - Service Territory Acquisition	1,092,692	-	1,092,692
Construction in Progress	3,635,660	1,182,358	4,818,018
Land	8,602	-	8,602
Total Capital Assets	37,177,829	26,191,817	63,369,646
Less: Accumulated Depreciation and Amortization	(15,932,809)	(9,428,804)	(25,361,613)
Total Net Capital Assets	21,245,020	16,763,013	38,008,033
Total Noncurrent Assets	21,245,020	16,763,013	38,008,033
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	111,656	37,219	148,875
Total Assets and Deferred Outflows of Resources	<u>\$ 31,762,536</u>	<u>\$ 19,638,184</u>	<u>\$ 51,400,720</u>
LIABILITIES, DEFERRED INFLOWS OF			
RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt	\$ 199,998	\$ 665,120	\$ 865,118
Current Portion of Lease Liability	178,973	-	178,973
Accounts Payable	1,236,093	56,621	1,292,714
Accrued Compensation	48,914	19,371	68,285
Compensated Absences, Current Portion	13,793	5,386	19,179
Accrued Interest Payable	53,467	63,059	116,526
Due to Primary Government	18,291	219,591	237,882
Customer Deposits	100,935	-	100,935
Unearned Revenue	-	400,324	400,324
Total Current Liabilities	1,850,464	1,429,472	3,279,936
LONG-TERM LIABILITIES			
Long-Term Debt	11,999,842	3,847,150	15,846,992
Lease Liability	1,023,803	-	1,023,803
Compensated Absences	41,378	16,159	57,537
Net Pension Liability	387,197	129,066	516,263
Total Long-Term Liabilities	13,452,220	3,992,375	17,444,595
Total Liabilities	15,302,684	5,421,847	20,724,531
DEFERRED INFLOWS OF RESOURCES			
Regulatory Collections to Cover Future Costs	463,119	-	463,119
Pension Related	274,625	91,542	366,167
Total Deferred Inflows of Resources	737,744	91,542	829,286
NET POSITION			
Net Investment in Capital Assets	11,703,916	12,250,743	23,954,659
Restricted	1,144,904	-	1,144,904
Unrestricted	2,873,288	1,874,052	4,747,340
Total Net Position	15,722,108	14,124,795	29,846,903
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 31,762,536</u>	<u>\$ 19,638,184</u>	<u>\$ 51,400,720</u>

**CITY OF DELANO, MINNESOTA
DELANO WATER, LIGHT, AND POWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION BY DEPARTMENT
YEAR ENDED DECEMBER 31, 2024**

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES			
Sales	\$ 8,812,329	\$ 1,495,648	\$ 10,307,977
Total Operating Revenues	<u>8,812,329</u>	<u>1,495,648</u>	<u>10,307,977</u>
OPERATING EXPENSES			
Production	5,024,572	285,578	5,310,150
Distribution	745,638	260,331	1,005,969
Administrative, Maintenance, and General Expenses	1,434,596	419,032	1,853,628
Depreciation and Amortization	<u>1,177,112</u>	<u>570,535</u>	<u>1,747,647</u>
Total Operating Expenses	<u>8,381,918</u>	<u>1,535,476</u>	<u>9,917,394</u>
OPERATING INCOME (LOSS)	430,411	(39,828)	390,583
Miscellaneous Other Income	<u>16,033</u>	<u>417,339</u>	<u>433,372</u>
NET INCOME BEFORE CONTRIBUTIONS	446,444	377,511	823,955
Capital Contributions	<u>121,270</u>	<u>259,751</u>	<u>381,021</u>
CHANGE IN NET POSITION	567,714	637,262	1,204,976
Net Position - Beginning of Year	<u>15,154,394</u>	<u>13,487,533</u>	<u>28,641,927</u>
NET POSITION - END OF YEAR	<u><u>\$ 15,722,108</u></u>	<u><u>\$ 14,124,795</u></u>	<u><u>\$ 29,846,903</u></u>

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Delano, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2025. We did not audit the basic financial statements of the Delano Water, Light, and Power Commission which represents the amounts shown as the discretely presented component unit.

In connection with our audit, we noted that the City of Delano failed to comply with the provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described below as items 2023-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Delano failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters,. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Delano's response to the legal compliance findings identified in our audit and described below. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

2024-001: Miscellaneous Provisions: Unclaimed Property

Condition: It was noted that there were eight checks outstanding older than three years included in the bank reconciliation.

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

2024-001: Miscellaneous Provisions: Unclaimed Property (Continued)

Criteria: MN Statute §345.38-.43 requires that if the City's records show unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation); is the property reported and paid or delivered to the state Commissioner of Commerce.

Effect: The City of Delano was not in compliance with Minnesota Statutes regarding unclaimed property.

Cause: The finance department overlooked these checks during the year.

Recommendation: The City remits all unclaimed property over three years to the state Commissioner of Commerce.

Management Response: The City will ensure that all unclaimed property will be delivered to the state Commissioner of Commerce as required by statute.

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 23, 2025

