

**CITY OF MENAHGA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2024**

# CITY OF MENAHGA, MINNESOTA

---

## ELECTED OFFICIALS

		Term Expires
Jody Bjornson	Mayor	2026
Durwin Tomperi	Council Member	2028
Willard Hodge	Council Member	2026
Keith Waaraniemi	Council Member	2028
Michael Netland	Council Member	2026

## EX OFFICIO

Brett Gagnonpalick	City Clerk/Treasurer	Appointed
Kelly Kumpula	Deputy City Clerk/Treasurer	Appointed

## TABLE OF CONTENTS

---

<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management’s Discussion and Analysis .....	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position .....	18
Statement of Activities .....	19
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Net Position – Proprietary Funds.....	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Fiduciary Net Position – Fiduciary Fund.....	27
Statement of Changes in Net Position – Fiduciary Funds .....	28
Notes to the Financial Statements.....	29

## TABLE OF CONTENTS (Continued)

---

### REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Contributions –	
Public Employees General Employees Fund .....	77
Public Employees Police and Fire Fund .....	77
Schedules of Proportionate Share of Net Pension Liability –	
Public Employees General Employees Fund .....	78
Public Employees Police and Fire Fund .....	78
Schedule of Changes in the Net Pension Asset and Related Ratios –	
Menahga Fire Relief Association .....	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual General Fund .....	80
Notes to the Required Supplementary Information .....	82

### SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Special Revenue Funds .....	93
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	94
Combining Balance Sheet – Debt Service Funds by Bond Issue .....	95
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Funds by Bond Issue .....	96
Combining Balance Sheet – Capital Projects Funds by Capital Project .....	97
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Funds by Capital Project .....	98

### OTHER REPORTS

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	99
Schedule of Current Year Findings and Responses .....	102



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Menahga, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Menahga, Minnesota 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 Menahga, Minnesota, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Greenwood Connections, the discretely presented component unit, as of December 31, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Greenwood Connections, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Menahga, Minnesota, 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 Menahga, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Menahga, Minnesota'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 of Menahga, Minnesota'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 management's discussion and analysis, budgetary comparison information, and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2025, on our consideration of the City of Menahga, Minnesota'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 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 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 Menahga, Minnesota's internal control over financial reporting and compliance.



Fergus Falls, Minnesota  
July 2, 2025

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

This section of the City of Menahga's financial report provides the reader with management's overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, and (4) identify any changes in the City's financial plan (approved budget).

The financial discussion and analysis presented in this section is intended to be used in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2024 fiscal year include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$6,583,273 (net position) as of December 31, 2024. Of this amount, \$1,304,109 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$288,778 from the prior year. The City's net position changed due to an increase of \$297,835 in Governmental Activities and a decrease of \$9,057 in Business-Type Activities.
- The City's governmental funds reported combined ending fund balances of \$1,033,055, an increase of \$145,790 in comparison with the prior year. Approximately 94.3% of the total fund balance in the General Fund, or \$474,255, is available for spending at the City's discretion. All of this amount is considered unassigned fund balance. Approximately 5.7% of the total General Fund's fund balance amount, or \$28,957, is non-spendable.
- The City's total debt (excluding net pension and compensated absences liabilities) decreased by \$563,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements, providing information for the City as a whole.
- 2) Fund financial statements, providing detailed information for the City's significant funds.
- 3) Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. A brief description of the basic financial statements follows:

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, housing and economic development, and culture and recreation. The business-type activities of the City include water utility, sewer utility, and liquor store operations.

The government-wide financial statements can be found on pages 18 and 19 of this report.

**Fund Financial Statements**

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

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

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds – The City maintains three types of proprietary funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, and liquor store services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, sewer utility, and liquor store services, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on page 27 and 28 of this report.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-76 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 77-81 of this report. Also, this report presents certain other supplementary information such as combining financial information for nonmajor governmental funds. Other supplementary information can be found on pages 93-98 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of net position as of December 31, 2024 with comparative data for December 31, 2023.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Assets						
Current	\$ 5,259,784	\$ 5,469,823	\$ 1,927,824	\$ 1,775,681	\$ 7,187,608	\$ 7,245,504
Noncurrent	95,497	50,152	-	-	95,497	50,152
Capital assets, net	<u>1,628,829</u>	<u>1,706,623</u>	<u>4,286,894</u>	<u>4,504,981</u>	<u>5,915,723</u>	<u>6,211,604</u>
Total Assets	6,984,110	7,226,598	6,214,718	6,280,662	13,198,828	13,507,260
Deferred outflows of resources	351,574	476,000	24,310	34,993	375,884	510,993
Liabilities						
Current	561,422	562,303	92,171	75,254	653,593	637,557
Long-term	<u>4,980,600</u>	<u>5,590,308</u>	<u>832,493</u>	<u>936,327</u>	<u>5,813,093</u>	<u>6,526,635</u>
Total Liabilities	5,542,022	6,152,611	924,664	1,011,581	6,466,686	7,164,192
Deferred Inflows of Resources	457,653	511,813	67,100	47,753	524,753	559,566
Net Position						
Net investment in capital assets	1,062,790	1,040,990	3,539,894	3,714,981	4,602,684	4,755,971
Restricted	633,159	621,075	-	-	633,159	621,075
Unrestricted	<u>(359,940)</u>	<u>(623,891)</u>	<u>1,707,370</u>	<u>1,541,340</u>	<u>1,347,430</u>	<u>917,449</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 1,336,009</u></b>	<b><u>\$ 1,038,174</u></b>	<b><u>\$ 5,247,264</u></b>	<b><u>\$ 5,256,321</u></b>	<b><u>\$ 6,583,273</u></b>	<b><u>\$ 6,294,495</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. In the case of the City of Menahga, the assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,583,273 (net position). The City's net position increased by \$288,778 for the year ended December 31, 2024, when compared to the prior year. The largest portion (70%) of the City's net position reflects its net investment in capital assets (e.g. land, land improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (10%), or \$676,480, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,304,109, can be used to meet the City's ongoing obligations to citizens and creditors (unrestricted).

Several particular aspects of the City's financial operations positively influenced governmental net position:

- Property tax collection percentage of 97.8%.
- Increase in operating grants and contributions of 40.3%.
- Investment earnings increased \$58,256 due to increased interest rates.
- Increase in general fund balance due to revenues exceeding expenditures. Fund balance increased by \$231,325.

At the end of the current fiscal year, the City of Menahga is able to report positive balances in both governmental and business-type net position for the City as a whole. The same situation held true for the prior fiscal year as detailed in the changes in net position.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 259,275	\$ 373,157	\$ 1,774,008	\$ 1,726,371	\$ 2,033,283	\$ 2,099,528
Operating grants and contributions	190,651	135,886	-	-	190,651	135,886
Capital grants and contributions	6,300	10,000	-	-	6,300	10,000
General revenues						
Property taxes	565,318	544,434	-	-	565,318	544,434
Franchise fees	500	500	-	-	500	500
Tax increment	17,876	19,408	-	-	17,876	19,408
Payments in lieu of taxes	55,000	25,000	-	-	55,000	25,000
Aids and payments from the state	482,485	428,850	-	-	482,485	428,850
Unrestricted investment earnings	44,097	25,381	90,286	50,746	134,383	76,127
Gain on sale of capital assets	9,400	-	-	-	9,400	-
Miscellaneous revenues	28,641	27,189	11,931	19,425	40,572	46,614
Total Revenues	<u>1,659,543</u>	<u>1,589,805</u>	<u>1,876,225</u>	<u>1,796,542</u>	<u>3,535,768</u>	<u>3,386,347</u>
Expenses						
General government	590,668	466,531	-	-	590,668	466,531
Public safety	466,652	462,657	-	-	466,652	462,657
Public works	140,507	220,039	-	-	140,507	220,039
Culture and recreation	52,549	63,806	-	-	52,549	63,806
Economic development	17,018	16,038	-	-	17,018	16,038
Interest on long-term debt	147,699	171,692	-	-	147,699	171,692
Water	-	-	489,270	505,868	489,270	505,868
Sewer	-	-	312,724	344,836	312,724	344,836
Liquor	-	-	1,029,903	1,061,623	1,029,903	1,061,623
Total Expenses	<u>1,415,093</u>	<u>1,400,763</u>	<u>1,831,897</u>	<u>1,912,327</u>	<u>3,246,990</u>	<u>3,313,090</u>
Revenues over (under) expenditures	244,450	189,042	44,328	(115,785)	288,778	73,257
Capital contributions	(16,615)	-	16,615	-	-	-
Transfers	70,000	87,744	(70,000)	(87,744)	-	-
<b>Change in Net Position</b>	<u>297,835</u>	<u>276,786</u>	<u>(9,057)</u>	<u>(203,529)</u>	<u>288,778</u>	<u>73,257</u>
<b>Net Position, January 1</b>	<u>1,038,174</u>	<u>761,388</u>	<u>5,256,321</u>	<u>5,459,850</u>	<u>6,294,495</u>	<u>6,221,238</u>
<b>Net Position, December 31</b>	<u><u>\$ 1,336,009</u></u>	<u><u>\$ 1,038,174</u></u>	<u><u>\$ 5,247,264</u></u>	<u><u>\$ 5,256,321</u></u>	<u><u>\$ 6,583,273</u></u>	<u><u>\$ 6,294,495</u></u>

*Governmental Activities*

Governmental activities increase the City's net position by \$279,835. Key elements of this increase are as follows:

- Property tax remained stable for fiscal year 2024, increasing 4%, while operating grants and contributions increased 40% and investment earnings increased 77%.

**CITY OF MENAHGA, MINNESOTA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
December 31, 2024**

---

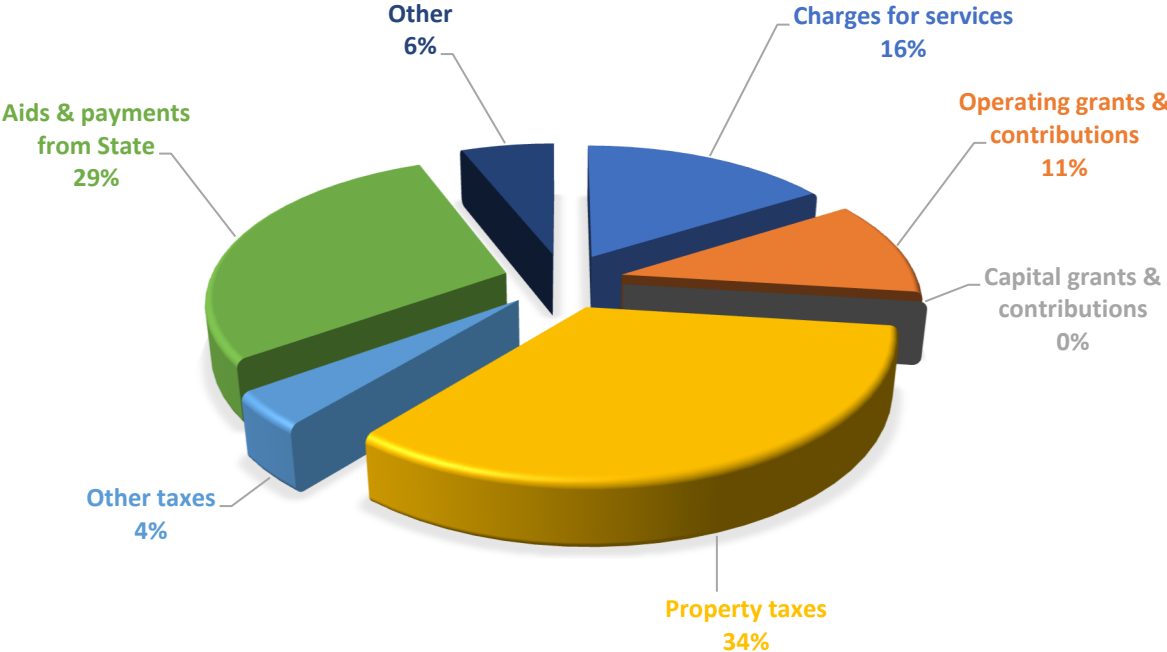
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**  
*Governmental Activities (Continued)*

The City-wide cost of all governmental activities this year was \$1,415,093.

- Some of the cost was paid by the users of the City’s programs, \$259,275.
- Federal and state government payments, \$196,951, subsidized certain programs.
- Ad valorem property taxes, \$565,318, and unrestricted state grants, \$482,485, also helped fund the net costs of governmental services.

**Revenue by Source - Governmental Funds**



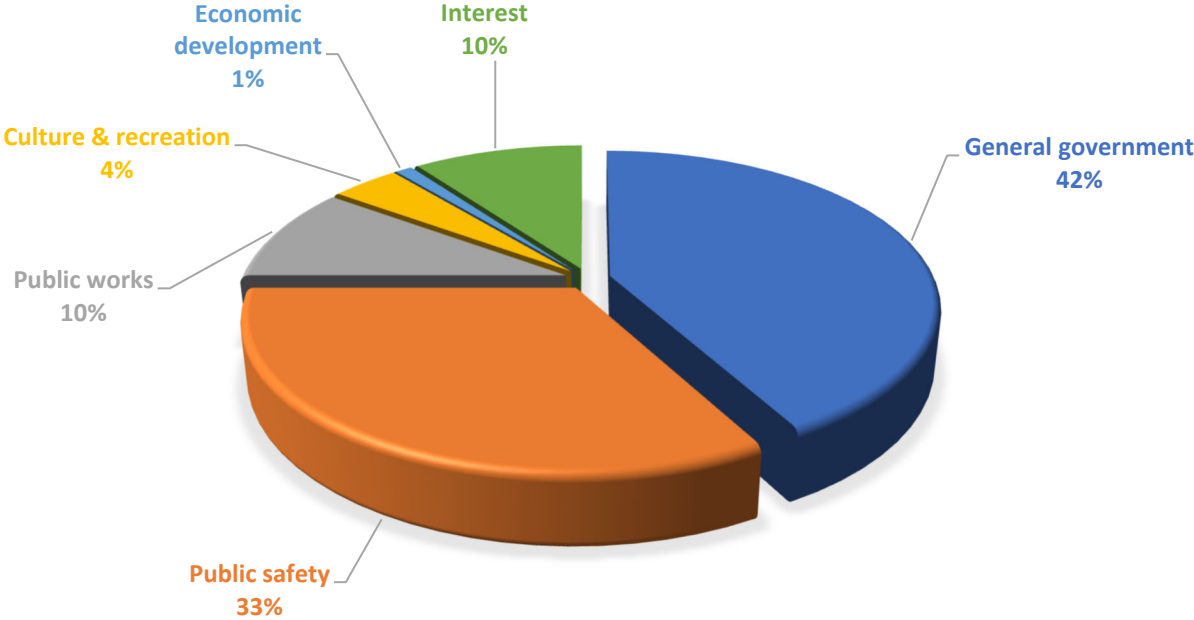
**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Change in Net Position (Continued)**  
*Governmental Activities (Continued)*

**Expenses by Function - Governmental Activities**



**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

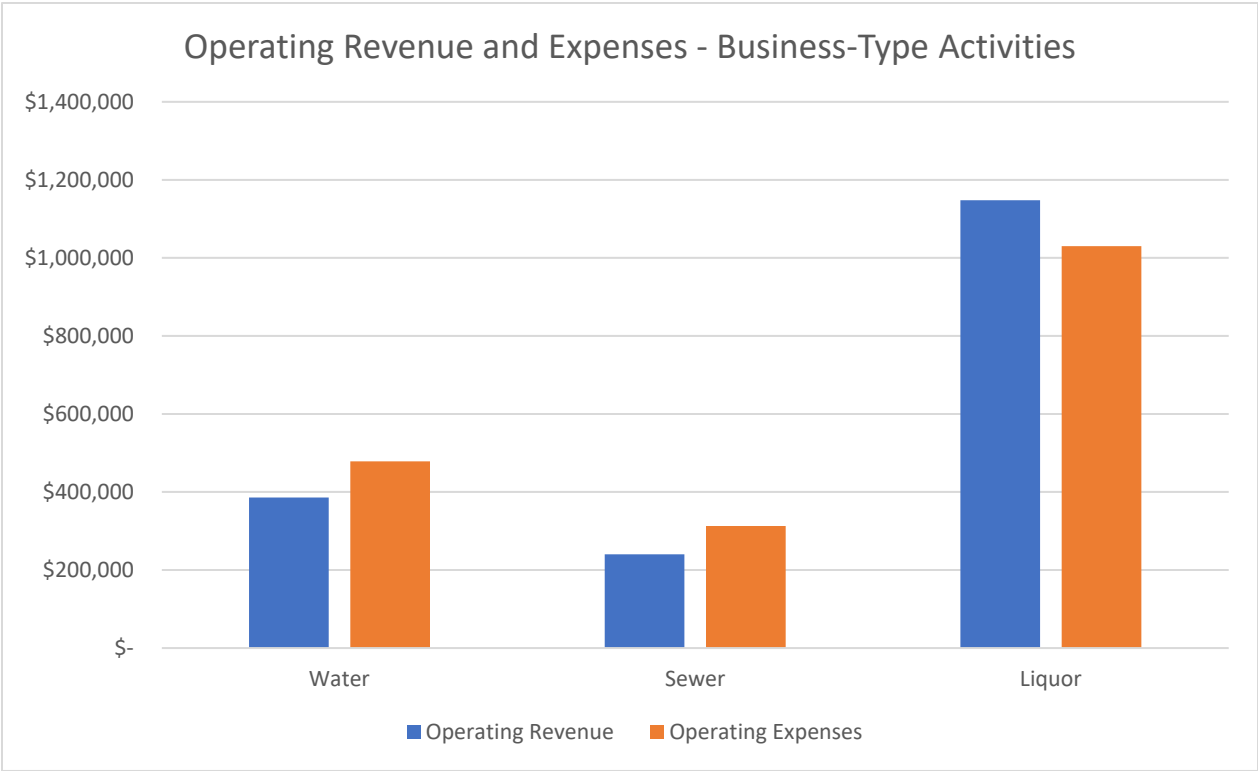
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**

*Business-Type Activities*

Business-type activities decreased the City's net position by \$9,057.

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures:



**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**  
**(FUND FINANCIAL STATEMENTS)**

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

**Governmental Funds**

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

As of December 31, 2024, the governmental funds reported a combined fund balance of \$1,033,055, which is a 16.4% increase from the prior year.

**General Fund**

The General Fund is the chief operating fund of the City of Menahga. At the end of the current fiscal year, available fund balance of the General Fund was \$474,255, while total fund balance was \$503,212. As a measure of the General Fund’s liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures (including transfers out). Available fund balance represents 39% of total General Fund expenditures, while total fund balance represents 42% of that same amount.

The following schedule presents a summary of general fund revenues:

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Taxes	\$ 432,690	\$ 439,800	\$ (7,110)	-1.62%
Special assessments	-	776	(776)	100.00%
Payments in lieu of tax	55,000	25,000	30,000	100.00%
Licenses and permits	2,755	4,030	(1,275)	-31.64%
Intergovernmental	613,519	488,754	124,765	25.53%
Charges for services	107,749	114,092	(6,343)	-5.56%
Fines and forfeits	6,471	4,486	1,985	44.25%
Net investment earnings	27,984	13,712	14,272	104.08%
Miscellaneous	86,295	40,823	45,472	111.39%
<b>TOTAL</b>	<b><u>\$ 1,332,463</u></b>	<b><u>\$ 1,131,473</u></b>	<b><u>\$ 200,990</u></b>	<b><u>17.76%</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**  
**(FUND FINANCIAL STATEMENTS)** (Continued)

**General Fund** (Continued)

The following schedule presents a summary of general fund expenditures:

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
General government	\$ 467,718	\$ 403,321	\$ 64,397	15.97%
Public safety	437,157	390,273	46,884	12.01%
Public works	119,978	147,181	(27,203)	-18.48%
Culture and recreation	66,218	75,521	(9,303)	-12.32%
Miscellaneous	56,012	52,804	3,208	6.08%
Debt service	29,388	30,167	(779)	-2.58%
Capital outlay	29,246	6,874	22,372	325.46%
<b>TOTAL</b>	<b><u>\$ 1,205,717</u></b>	<b><u>\$ 1,106,141</u></b>	<b><u>\$ 99,576</u></b>	<b><u>9.00%</u></b>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was approved in December 2023 and was not updated during the year.

The General Fund’s operational revenues exceeded expenditures by \$126,746, before other financing sources/uses. General Fund total revenues increased 18%. General Fund revenues exceeded expenditures by \$231,325, increasing \$116,943 from fiscal year 2023’s net result.

Operating revenues exceeded budget by 19.6%. This is mainly due to a rise in inflationary factors as well as an increase to interest rates. Other major revenue increases were derived from contributions and grants.

General Fund expenditures increased 9% in comparison with the prior year with most expenditure categories less than 15%. The increase was driven by an increase in personnel costs due to a rising wage environment.

**Proprietary Funds**

The City’s proprietary funds provide the same type of information found in the business-type activities of the government-wide statements but in more detail. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City’s business-type activities.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2024, totals \$4,602,684, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was \$295,880, or 4.76%.

Major capital asset events during the current fiscal year included the following:

- New police car - \$31,147
- New roof at city shop - \$55,782
- Public works truck - \$29,562
- Generator at water plant - \$71,183
- Water tower improvements - \$1,255,318
- Continuation of TH87 watermain replacement project

Additional information on the City's capital assets can be found in note 6 on pages 42 and 44 of this report.

**Long-Term Obligations**

At the end of the current fiscal year, the City had total debt outstanding of \$5,913,039, net of bond discounts. Of this, \$5,807,000 is government debt backed by the full faith and credit of the City.

- Total net debt has decreased by \$563,000 during the current fiscal year. This decrease was due to scheduled principal payments. No new debt was issued during the current fiscal year.

**CITY OF MENAHGA, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

---

**FACTORS BEARING ON THE CITY'S FUTURE**

**Water Tower and Clear Well**

The water tower project, finalized in 2023, is now established with a debt service account for reimbursement.

**Infrastructure Project**

The city identifies various areas within its limits where the sanitary sewer and water distribution systems require replacement. These projects have been included in the State's Project Priority List (PPL). Despite the City's application to secure funding from the 2024 Clean Water Revolving Fund (CWRP), it was not granted for this fiscal year. The City's request was for \$1,380,400, the estimated cost of the sanitary system improvements. Similarly, the City also applied for funding from the 2024 Drinking Water Revolving Fund (DWRP), but has not been successful so far. The requested amount from DWRP for water main improvements is \$1,504,000. As the funding for these improvements has not been secured, the city remains on the list for both funding sources for 2025 and 2026.

**Local Government Aid**

In 2023, the Local Government Aid (LGA) amounted to \$428,426. This figure increased to \$482,062 in 2024. Projections for 2025 indicate an estimated amount of \$506,165, reflecting a 5% increase over the previous year.

**Economic Development**

The housing market in Menahga maintains its stability, witnessing a rise in demand for both rental properties and homes for sale. Concurrently, economic development initiatives persist, fostering growth opportunities for the city. Menahga's civic organizations remain highly engaged in various community events, including the Midsummer Celebration, St. Urho Days, Sounds of Spirit Lake, Fishing Derby, and Christmas Tree Lighting festivities. The city also benefits from training provided by Sourcewell and the Department of Natural Resources.

**City Council**

Recently, new personnel have been recruited to fill the roles of Deputy City Clerk Treasurer (4 months) and City Clerk Treasurer (1 year plus). These individuals are actively engaged in seeking additional education and training to enhance their understanding of city operations. Some former staff members remain on an on-call basis providing assistance to the staff as requested.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or would like additional information, contact the Administration, City of Menahga, 115 2<sup>nd</sup> Street NE, PO Box C, Menahga, Minnesota 56464.

## **BASIC FINANCIAL STATEMENTS**

*Government-Wide Financial Statements*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**December 31, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Greenwood Connections
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 1,011,201	\$ 1,701,957	\$ 2,713,158	\$ 2,223,657
Temporary investments	-	-	-	3,860,506
Cash and investments required to meet current obligations	-	-	-	12,467
Accounts receivable, net	812	84,537	85,349	1,231,699
Taxes receivable	17,055	-	17,055	-
Special assessments receivable	353,774	10,074	363,848	-
Due from other governmental units	13,167	421	13,588	-
Notes receivable from component unit	3,830,000	-	3,830,000	-
Other receivables	4,818	29,884	34,702	780,930
Inventories	-	87,070	87,070	-
Prepaid expenses	28,957	13,881	42,838	149,728
Total Current Assets	<u>5,259,784</u>	<u>1,927,824</u>	<u>7,187,608</u>	<u>8,258,987</u>
Noncurrent assets				
Cash and investments - board designated	-	-	-	250,684
Net pension asset	95,497	-	95,497	-
Capital assets not being depreciated	79,013	136,660	215,673	87,340
Capital assets net of accumulated depreciation	1,549,816	4,150,234	5,700,050	6,610,244
Right of use lease asset, net	-	-	-	6,958
Total Noncurrent Assets	<u>1,724,326</u>	<u>4,286,894</u>	<u>6,011,220</u>	<u>6,955,226</u>
Total Assets	<u>6,984,110</u>	<u>6,214,718</u>	<u>13,198,828</u>	<u>15,214,213</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferments	351,574	24,310	375,884	387,219
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	17,465	28,952	46,417	136,563
Accrued expenses	697	8,335	9,032	158,635
Accrued payroll	3,252	976	4,228	19,214
Accrued interest payable	58,617	3,998	62,615	54,512
Customer deposits	4,487	-	4,487	-
Refundable advance	-	-	-	42,515
Compensated absences	10,904	6,910	17,814	338,291
Current portion of long-term debt	466,000	43,000	509,000	275,000
Current portion of lease liability	-	-	-	2,940
Total Current Liabilities	<u>561,422</u>	<u>92,171</u>	<u>653,593</u>	<u>1,027,670</u>
Long-Term Liabilities				
Compensated absences	22,510	13,821	36,331	-
Bonds and notes payable, net	4,700,039	704,000	5,404,039	3,592,822
Lease liability	-	-	-	4,312
Net pension liability	258,051	114,672	372,723	1,905,855
Total Long-Term Liabilities	<u>4,980,600</u>	<u>832,493</u>	<u>5,813,093</u>	<u>5,502,989</u>
Total Liabilities	<u>5,542,022</u>	<u>924,664</u>	<u>6,466,686</u>	<u>6,530,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferments	457,653	67,100	524,753	1,422,602
<b>NET POSITION</b>				
Net investment in capital assets	1,062,790	3,539,894	4,602,684	2,829,468
Restricted				
Economic development revolving loans	194,735	-	194,735	-
Tax increment expenditures	5,367	-	5,367	-
Debt service	145,756	-	145,756	-
Capital projects	235,125	-	235,125	-
Capital acquisition	-	-	-	336,251
Net pension asset	95,497	-	95,497	-
Unrestricted	<u>(403,261)</u>	<u>1,707,370</u>	<u>1,304,109</u>	<u>4,482,452</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 1,336,009</b></u>	<u><b>\$ 5,247,264</b></u>	<u><b>\$ 6,583,273</b></u>	<u><b>\$ 7,648,171</b></u>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Greenwood Connections	
					Governmental Activities	Business-Type Activities		Total
<b>Governmental Activities</b>								
General government	\$ 590,668	\$ 16,804	\$ 642	\$ -	\$ (573,222)	\$ -	\$ (573,222)	\$ -
Public safety	466,652	49,795	162,214	6,300	(248,343)	-	(248,343)	-
Public works	140,507	-	25,795	-	(114,712)	-	(114,712)	-
Culture and recreation	52,549	51,696	2,000	-	1,147	-	1,147	-
Housing and economic development	17,018	-	-	-	(17,018)	-	(17,018)	-
Interest and fiscal costs on long-term debt	147,699	140,980	-	-	(6,719)	-	(6,719)	-
<b>Total Governmental Activities</b>	<b>1,415,093</b>	<b>259,275</b>	<b>190,651</b>	<b>6,300</b>	<b>(958,867)</b>	<b>-</b>	<b>(958,867)</b>	<b>-</b>
<b>Business-Type Activities</b>								
Water	489,270	385,761	-	-	-	(103,509)	(103,509)	-
Sewer	312,724	240,368	-	-	-	(72,356)	(72,356)	-
Liquor	1,029,903	1,147,879	-	-	-	117,976	117,976	-
<b>Total Business-Type Activities</b>	<b>1,831,897</b>	<b>1,774,008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,889)</b>	<b>(57,889)</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,246,990</b>	<b>\$ 2,033,283</b>	<b>\$ 190,651</b>	<b>\$ 6,300</b>	<b>(958,867)</b>	<b>(57,889)</b>	<b>(1,016,756)</b>	<b>-</b>
<b>Component Unit</b>								
Greenwood Connections	<b>\$ 9,113,347</b>	<b>\$ 10,158,347</b>	<b>\$ 250</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,045,250</b>
<b>General revenues</b>								
Property taxes					565,318	-	565,318	-
Franchise taxes					500	-	500	-
Tax increments					17,876	-	17,876	-
Payments in lieu of taxes					55,000	-	55,000	-
Unrestricted aids and grants from the state					482,485	-	482,485	-
Gain on sale of assets					9,400	-	9,400	-
Unrestricted net investment earnings					44,097	90,286	134,383	253,034
Miscellaneous								
Insurance recovery					181	-	181	-
Employee retention credit contribution					-	-	-	35,103
Other					28,460	11,931	40,391	317,278
Capital contributions					(16,615)	16,615	-	173,056
Transfers					70,000	(70,000)	-	-
<b>Total General Revenues and Capital Contributions</b>					<b>1,256,702</b>	<b>48,832</b>	<b>1,305,534</b>	<b>778,471</b>
<b>CHANGE IN NET POSITION</b>					<b>297,835</b>	<b>(9,057)</b>	<b>288,778</b>	<b>1,823,721</b>
<b>NET POSITION – BEGINNING</b>					<b>1,038,174</b>	<b>5,256,321</b>	<b>6,294,495</b>	<b>5,824,450</b>
<b>NET POSITION – ENDING</b>					<b>\$ 1,336,009</b>	<b>\$ 5,247,264</b>	<b>\$ 6,583,273</b>	<b>\$ 7,648,171</b>

(The accompanying notes are an integral part of these financial statements.)

*Fund Financial Statements*

**CITY OF MENA HGA, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2024**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
<b>ASSETS</b>					
Cash and investments	\$ 547,338	\$ 139,534	\$ 178,531	\$ 198,645	\$ 1,064,048
Accounts receivable	812	-	-	-	812
Taxes receivable – delinquent	13,293	3,762	-	-	17,055
Special assessments receivable	-	353,774	-	-	353,774
Due from other governmental units	5,239	7,928	-	-	13,167
Notes receivable from component unit	-	3,830,000	-	-	3,830,000
Other receivables	3,361	-	-	1,457	4,818
Advance from other funds	-	-	56,594	-	56,594
Prepaid expenses	28,957	-	-	-	28,957
<b>TOTAL ASSETS</b>	<b><u>\$ 599,000</u></b>	<b><u>\$ 4,334,998</u></b>	<b><u>\$ 235,125</u></b>	<b><u>\$ 200,102</u></b>	<b><u>\$ 5,369,225</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Overdrawn cash and investments	\$ -	\$ 45,028	\$ -	\$ 7,819	\$ 52,847
Accounts payable	17,465	-	-	-	17,465
Accrued expenses	697	-	-	-	697
Accrued payroll	3,252	-	-	-	3,252
Customer deposits	4,487	-	-	-	4,487
Advance to other funds	56,594	-	-	-	56,594
Total Liabilities	82,495	45,028	-	7,819	135,342
Deferred Inflows of Resources					
Unavailable revenue - taxes	13,293	3,762	-	-	17,055
Unavailable revenue - special assessments	-	353,773	-	-	353,773
Unearned revenue - loans receivable	-	3,830,000	-	-	3,830,000
Total Deferred Inflows of Resources	13,293	4,187,535	-	-	4,200,828
Fund Balances					
Nonspendable for					
Prepaid expenses	28,957	-	-	-	28,957
Restricted for					
Economic development revolving loans	-	-	-	194,735	194,735
Tax increment expenditures	-	-	-	5,367	5,367
Debt service	-	145,756	-	-	145,756
Capital projects	-	-	235,125	-	235,125
Unrestricted					
Unassigned	474,255	(43,321)	-	(7,819)	423,115
Total Fund Balances	503,212	102,435	235,125	192,283	1,033,055
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 599,000</u></b>	<b><u>\$ 4,334,998</u></b>	<b><u>\$ 235,125</u></b>	<b><u>\$ 200,102</u></b>	<b><u>\$ 5,369,225</u></b>

(The accompanying notes are an integral part of these financial statements.)

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

---

**TOTAL FUND BALANCES – GOVERNMENTAL FUNDS** \$ 1,033,055

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:

General capital assets	\$ 4,208,476	
Accumulated depreciation	<u>(2,579,647)</u>	1,628,829

Other long-term assets (delinquent taxes, special assessments) are not available to pay for current-period expenditures; therefore, they are considered deferred outflows of resources in the governmental funds until the amounts are received. Deferred outflows of resources at year-end consists of:

Unavailable revenue - taxes	17,055	
Unavailable revenue - special assessments	353,773	
Unearned revenue - loans receivable	<u>3,830,000</u>	4,200,828

Some assets, including net pension assets, are not receivable in the current period; therefore, they are not reported in the governmental funds. 95,497

Accrued severance pay is not due and payable with current financial resources; therefore, it is not reported as a liability in the governmental funds. (33,414)

Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is: (58,617)

Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and notes	(5,169,218)	
Unamortized bond premium and discounts	<u>3,179</u>	(5,166,039)

Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds. (258,051)

Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.

Deferred outflows of resources related to pensions	351,574	
Deferred inflows of resources related to pensions	<u>(457,653)</u>	<u>(106,079)</u>

**TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ 1,336,009**

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAUGA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2024**

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 432,190	\$ 133,337	\$ -	\$ -	\$ 565,527
Franchise taxes	500	-	-	-	500
Tax increments	-	-	-	17,876	17,876
Special assessments	-	96,871	-	-	96,871
Payments in lieu of taxes	55,000	-	-	-	55,000
Licenses and permits	2,755	-	-	-	2,755
Intergovernmental	613,519	-	-	-	613,519
Charges for services	107,749	-	-	-	107,749
Fines and forfeits	6,471	-	1,320	-	7,791
Net investment earnings	27,984	476	6,997	6,488	41,945
Contributions and donations	59,617	-	6,300	-	65,917
Other	26,678	396,569	-	1,782	425,029
Total Revenues	<u>1,332,463</u>	<u>627,253</u>	<u>14,617</u>	<u>26,146</u>	<u>2,000,479</u>
<b>EXPENDITURES</b>					
Current					
General government	467,718	-	3,671	-	471,389
Public safety	437,157	-	3,904	-	441,061
Public works	119,978	-	-	-	119,978
Culture and recreation	66,218	-	-	-	66,218
Housing and economic development	-	-	-	17,018	17,018
Other	56,012	-	-	2,980	58,992
Debt service					
Principal	25,000	495,000	-	-	520,000
Interest	4,388	152,403	-	-	156,791
Capital outlay	29,246	-	36,962	16,615	82,823
Total Expenditures	<u>1,205,717</u>	<u>647,403</u>	<u>44,537</u>	<u>36,613</u>	<u>1,934,270</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	126,746	(20,150)	(29,920)	(10,467)	66,209
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of property	9,400	-	-	-	9,400
Insurance recovery	181	-	-	-	181
Transfers in	94,998	102,824	-	-	197,822
Transfers out	-	(127,822)	-	-	(127,822)
Net Other Financing Sources (Uses)	<u>104,579</u>	<u>(24,998)</u>	<u>-</u>	<u>-</u>	<u>79,581</u>
<b>NET CHANGE IN FUND BALANCES</b>	231,325	(45,148)	(29,920)	(10,467)	145,790
<b>FUND BALANCES – BEGINNING</b>	<u>271,887</u>	<u>147,583</u>	<u>265,045</u>	<u>202,750</u>	<u>887,265</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 503,212</u>	<u>\$ 102,435</u>	<u>\$ 235,125</u>	<u>\$ 192,283</u>	<u>\$ 1,033,055</u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2024**

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** \$ 145,790

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

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 49,741	
Depreciation	<u>(127,535)</u>	(77,794)

Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.

Accrued interest payable - December 31, 2024	(58,617)	
Accrued interest payable - December 31, 2023	<u>68,113</u>	9,496

Loans receivable are recognized as revenue when collected in the governmental funds, but the revenue was already recognized when assessed in the statement of activities. This adjustment is the difference in loans receivable between the prior year and the current year.

Notes receivable from component unit - December 31, 2024	3,830,000	
Notes receivable from component unit - December 31, 2023	<u>(4,100,000)</u>	(270,000)

Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.

Unavailable taxes - December 31, 2024	17,055	
Unavailable taxes - December 31, 2023	<u>(17,264)</u>	(209)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unearned revenue in the current period.

Unavailable taxes - special assessments - December 31, 2024	353,773	
Unavailable taxes - special assessments - December 31, 2023	<u>(436,233)</u>	(82,460)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	520,000	
Amortization of bond discount and premium	<u>(406)</u>	519,594

In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid during the year:

Compensated absences - December 31, 2024	(33,414)	
Compensated absences - December 31, 2023	<u>14,578</u>	(18,836)

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension asset - December 31, 2024	95,497	
Net pension asset - December 31, 2023	(50,152)	
Net pension liability - December 31, 2024	(258,051)	
Net pension liability - December 31, 2023	355,226	
Deferred outflows of resources - December 31, 2024	351,574	
Deferred outflows of resources - December 31, 2023	(476,000)	
Deferred inflows of resources - December 31, 2024	(457,653)	
Deferred inflows of resources - December 31, 2023	<u>511,813</u>	<u>72,254</u>

**CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ 297,835**

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2024**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Liquor</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 759,895	\$ 641,951	\$ 300,111	\$ 1,701,957
Accounts receivable	48,526	31,383	4,628	84,537
Special assessments receivable	5,997	4,077	-	10,074
Interest receivable	11,558	12,220	6,106	29,884
Due from other governmental units	421	-	-	421
Inventories	-	-	87,070	87,070
Prepaid expenses	4,821	6,105	2,955	13,881
Total Current Assets	<u>831,218</u>	<u>695,736</u>	<u>400,870</u>	<u>1,927,824</u>
Noncurrent Assets				
Capital assets not being depreciated	77,877	24,994	33,789	136,660
Capital assets being depreciated, net	2,604,804	1,450,410	95,020	4,150,234
Total Noncurrent Assets	<u>2,682,681</u>	<u>1,475,404</u>	<u>128,809</u>	<u>4,286,894</u>
Total Assets	<u>3,513,899</u>	<u>2,171,140</u>	<u>529,679</u>	<u>6,214,718</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferments	6,569	5,204	12,537	24,310
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	-	-	28,952	28,952
Accrued expenses	231	-	8,104	8,335
Accrued payroll	197	196	583	976
Accrued interest payable	3,998	-	-	3,998
Compensated absences	644	669	5,597	6,910
Current portion of long-term debt	43,000	-	-	43,000
Total Current Liabilities	<u>48,070</u>	<u>865</u>	<u>43,236</u>	<u>92,171</u>
Noncurrent Liabilities				
Compensated absences	1,288	1,339	11,194	13,821
Bonds and loans payable	704,000	-	-	704,000
Net pension liability	30,986	24,544	59,142	114,672
Total Noncurrent Liabilities	<u>736,274</u>	<u>25,883</u>	<u>70,336</u>	<u>832,493</u>
Total Liabilities	<u>784,344</u>	<u>26,748</u>	<u>113,572</u>	<u>924,664</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferments	18,132	14,365	34,603	67,100
<b>NET POSITION</b>				
Net investment in capital assets	1,935,681	1,475,404	128,809	3,539,894
Unrestricted	<u>782,311</u>	<u>659,827</u>	<u>265,232</u>	<u>1,707,370</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 2,717,992</b></u>	<u><b>\$ 2,135,231</b></u>	<u><b>\$ 394,041</b></u>	<u><b>\$ 5,247,264</b></u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2024**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Liquor</b>	<b>Total</b>
<b>GROSS PROFIT</b>				
Sales	\$ -	\$ -	\$ 1,147,879	\$ 1,147,879
Cost of sales	-	-	(729,941)	(729,941)
Total Gross Profit	-	-	417,938	417,938
<b>OPERATING REVENUES</b>				
Charges for services	385,761	240,368	-	626,129
<b>OPERATING EXPENSES</b>				
Salaries and wages	89,726	73,086	149,484	312,296
Payroll taxes	5,957	4,711	11,685	22,353
Pension expense	(2,216)	(7,735)	1,308	(8,643)
Employee benefits	12,067	11,935	24,226	48,228
Repairs and maintenance	21,010	18,376	3,082	42,468
Insurance	8,443	13,083	17,900	39,426
Utilities	21,181	6,813	21,160	49,154
Supplies	30,537	24,357	19,413	74,307
Office expense	4,585	2,854	3,731	11,170
Professional fees	13,776	42,424	23,922	80,122
Dues	-	-	1,610	1,610
Depreciation	267,911	121,894	9,889	399,694
Miscellaneous	5,401	926	12,552	18,879
Total Operating Expenses	<u>478,378</u>	<u>312,724</u>	<u>299,962</u>	<u>1,091,064</u>
<b>OPERATING INCOME (LOSS)</b>	(92,617)	(72,356)	117,976	(46,997)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Net investment earnings	43,433	36,960	9,893	90,286
Other income	667	2,345	8,919	11,931
Interest expense	(10,892)	-	-	(10,892)
Net Nonoperating Revenues (Expenses)	<u>33,208</u>	<u>39,305</u>	<u>18,812</u>	<u>91,325</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(59,409)	(33,051)	136,788	44,328
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Capital contributions, net of related debt	-	-	16,615	16,615
Transfers out	-	-	(70,000)	(70,000)
Transfers, Net	<u>-</u>	<u>-</u>	<u>(53,385)</u>	<u>(53,385)</u>
<b>CHANGE IN NET POSITION</b>	(59,409)	(33,051)	83,403	(9,057)
<b>TOTAL NET POSITION – BEGINNING</b>	<u>2,777,401</u>	<u>2,168,282</u>	<u>310,638</u>	<u>5,256,321</u>
<b>TOTAL NET POSITION – ENDING</b>	<u>\$ 2,717,992</u>	<u>\$ 2,135,231</u>	<u>\$ 394,041</u>	<u>\$ 5,247,264</u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENA HGA, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2024**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Liquor</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 380,546	\$ 235,480	\$ 1,151,377	\$ 1,767,403
Payments to suppliers	(103,778)	(109,252)	(791,990)	(1,005,020)
Payments to employees	(91,063)	(74,331)	(153,505)	(318,899)
Payments to other governmental units	(24,067)	(21,389)	(47,121)	(92,577)
Other receipts	667	2,345	8,919	11,931
Other payments	(5,401)	(926)	(12,552)	(18,879)
Net Cash Provided by Operating Activities	<u>156,904</u>	<u>31,927</u>	<u>155,128</u>	<u>343,959</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	-	(70,000)	(70,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(117,714)	(47,279)	-	(164,993)
Principal paid on capital debt	(43,000)	-	-	(43,000)
Interest paid on capital debt	(10,892)	-	-	(10,892)
Net Cash Used by Capital and Related Financing Activities	<u>(171,606)</u>	<u>(47,279)</u>	<u>-</u>	<u>(218,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	<u>31,875</u>	<u>24,740</u>	<u>3,788</u>	<u>60,403</u>
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	17,173	9,388	88,916	115,477
<b>CASH AND INVESTMENTS – BEGINNING</b>	<u>742,722</u>	<u>632,563</u>	<u>211,195</u>	<u>1,586,480</u>
<b>CASH AND INVESTMENTS – ENDING</b>	<u><b>\$ 759,895</b></u>	<u><b>\$ 641,951</b></u>	<u><b>\$ 300,111</b></u>	<u><b>\$ 1,701,957</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (92,617)	\$ (72,356)	\$ 117,976	\$ (46,997)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	267,911	121,894	9,889	399,694
Other income related to operations	667	2,345	8,919	11,931
Net operating changes in				
Accounts receivable	(2,940)	(3,440)	3,498	(2,882)
Special assessments receivable	(1,854)	(1,448)	-	(3,302)
Due from other governmental units	(421)	-	-	(421)
Inventory	-	-	(3,977)	(3,977)
Prepaid items	(1,199)	(297)	5,296	3,800
Deferred outflows of resources	115	2,467	8,101	10,683
Accounts payable	(3,047)	(1,048)	27,450	23,355
Accrued expenses	(55)	-	220	165
Accrued payroll	(1,337)	(1,245)	(4,021)	(6,603)
Net pension liability	(15,897)	(17,942)	(26,995)	(60,834)
Deferred inflows of resources	<u>7,578</u>	<u>2,997</u>	<u>8,772</u>	<u>19,347</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 156,904</b></u>	<u><b>\$ 31,927</b></u>	<u><b>\$ 155,128</b></u>	<u><b>\$ 343,959</b></u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2024**

---

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 26,897</u>
 <b>LIABILITIES</b>	
Cash held for other agencies	<u>\$ 26,897</u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended December 31, 2024**

---

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Contributions collected for other agencies	\$ 23,956
<b>DEDUCTIONS</b>	
Contributions distributed for other agencies	19,844
<b>CHANGE IN NET POSITION</b>	4,112
<b>NET POSITION - BEGINNING</b>	22,785
<b>NET POSITION - ENDING</b>	<b>\$ 26,897</b>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Menahga was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the voters of the City.

The financial statements of the City of Menahga have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following represents the significant accounting policies used by the City:

**Reporting Entity**

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, 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 the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

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

*Greenwood Connections* – is accounted for as a discretely presented component unit because of the significance of the operational or financial relationship with the City. All amounts reflecting financial position and results of operations related to Greenwood Connections in these financial statements is as of and for the year end December 31, 2024. A Board of Directors that is appointed by the City Council of the City of Menahga, Minnesota, governs Greenwood Connections. The Board is responsible for the administration, maintenance, and operations of Greenwood Connections subject to the authority of the City Council as provided in Minnesota Statutes 447.41.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

Greenwood Connections consists of the following:

Green Pine Acres Nursing Home (the Home) – is a 65-bed licensed skilled nursing facility.

Woodside Manor (the Apartments) – a 37-unit assisted living and congregate care apartment project attached to the Home.

Menahga Home Health – a Class F licensed home care agency that provides services to residents of the Apartments and the community.

Green Pine Acres Adult Day Care – operates a day service for the care of adults 18 years of age and older.

Complete financial statements of Greenwood Connections are prepared and are on file with the City.

**Basis of Presentation**

*Government-Wide Statements*

The Statement of Net Position and the Statement of Activities display information about the primary government, except fiduciary activities. These statements include the financial activities of the overall government. As a general rule, eliminations have been made to minimize the double counting of internal activities. There are some exceptions to that general rule, certain charges between the City's enterprise functions and various other functions of the government. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include a) fees and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

*Fund Financial Statements*

The fund financial statements provide information about the City's funds, including a fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

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

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following types of funds:

Governmental Funds

General – the General Fund is the general operating fund of the City. It is used to account for all financial resources and transactions, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, public works, parks and recreation, and general government services.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

*Fund Financial Statements* (Continued)

Governmental Funds (Continued)

Special Revenue Funds – used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specific purposes. The City has no major special revenue funds.

Debt Service Fund – used to account for the accumulation of, resources for, and the payment of, long-term debt principal, interest, and related costs. The debt service fund is a major fund.

Capital Projects Fund – used to account for the financial resources to be used for the acquisition or construction of major capital facilities or equipment. The capital projects fund is a major fund.

Proprietary Funds

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. The City’s major enterprise funds and their purposes are as follows:

Water – accounts for the provision of water services to the City’s residents.

Sewer – accounts for the provision of sewer services to the City’s residents.

Liquor – accounts for the operation of the Menahga Liquor Store.

Fiduciary Funds

Agency Funds – used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities).

**Measurement Focus and Basis of Accounting**

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements*

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus and Basis of Accounting** (Continued)

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Under the accrual basis of accounting, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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 enterprise funds include but are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements*

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds from general long-term debt and acquisitions under finance agreements are reported as other financing sources.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus and Basis of Accounting** (Continued)

*Governmental Fund Financial Statements* (Continued)

The City considers all revenues available if they are collected within 60 days after year-end, except for property taxes. All taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of 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 City.

**Estimates**

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

**Cash and Temporary Investments (Including Cash Equivalents)**

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "cash and investments." For reporting purposes, petty cash and change funds are also considered cash and investments. For the purposes of the proprietary fund-type statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or more to be investments. Certificates of deposit are valued at cost plus reinvested dividends, and other investments are stated at fair value.

**Receivables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax levies are set by the City Council in December of each year and are certified to Wadena County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. The county spreads the levy over assessable property. Property taxes become a lien on January 1. Property tax payments are due in two equal installments, on May 15 and October 15. Taxes become delinquent if not paid by the due date. The County is required to distribute collections to the City three times each year.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Receivables** (Continued)

Property taxes receivable which have been collected and received by the City within 60 days subsequent to year end are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period. Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

Receivables for federal and state grants, and state, county, and local shared revenue, are recorded as revenue in all fund types as earned.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. Assessment lien installments which are expected to be collected in the following year in accordance with the modified accrual basis of accounting are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by unearned revenues and, accordingly, have not been recorded as revenue. Assessments are payable over a term of years at an interest rate established by the City Council.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed.

**Inventories**

Inventories in the proprietary fund types are stated at cost, using a first-in, first-out (FIFO) method. Expenses are recognized as the inventories are used (consumption method).

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**Capital Assets**

Capital assets, which include property, plant, right to use leases, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the government as assets with an initial individual cost of more than \$2,500 for equipment and vehicles, \$25,000 for buildings and improvements, and \$100,000 for infrastructure and an estimated useful life of one year or more. Capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the time of donation. Intangible assets with an indefinite useful life are included in nondepreciable assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets** (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

In governmental fund financial statements, capital assets purchased are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category – pension deferrals, reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The City has several items that qualify for reporting in this category – property taxes and special assessments receivable, note receivable, and pension deferrals.

**Long-Term Obligations**

In the government-wide and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only as a result of employee resignations or retirements. The liability for compensated absences is typically liquidated in the fund that incurred the expenditure at the time of the occurrence (i.e. vacation being taken or upon retirement).

**Net Position and Fund Balances**

*Net Position*

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. 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 asset. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted first and then unrestricted.

*Fund Balance*

Governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governing body itself or by some person or body delegated to exercise such authority in accordance with policy established by the council. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pensions**

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

**New Accounting Standards**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The City adopted the requirements of the guidance effective January 1, 2024. There was no material impact on the City's net position and changes in net position as a result of adoption of this standard.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City adopted the requirements of the guidance effective January 1, 2024. There was no material impact on the City's net position and changes in net position as a result of adoption of this standard.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Equity**

The Safe Routes to School, Tax Increment Finance District 1-6, and 2015 GO Improvement Refunding Bond funds had deficit fund balances of \$3,292, \$4,527, and \$41,912 respectively, as of December 31, 2024.

**Budgetary Information**

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. Budget vs. actual information and related notes can be found in the required supplementary information following this report.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

*Minnesota Statutes* authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

The City maintains a cash and investment pool that is available for use by all funds. As of December 31, 2024, the City’s cash and investment balances are reported as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Cash and investments		
Pooled cash in checking	\$ 328,382	\$ 235,508
Departmental checking accounts	-	10,000
Departmental savings and money market	122,496	-
Cash on hand	400	5,755
Investments - 4M	559,923	1,450,694
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 1,011,201</b>	<b>\$ 1,701,957</b>

Custodial Credit Risk – deposits – the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City maintains its deposits in accordance with Minn. Stat. § 118A.03. Under that statute, all deposits must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized with eligible securities in an amount equal to 110% of the deposits not covered by FDIC or corporate surety bonds. As of December 31, 2024, the City’s deposits with various financial institutions had a bank balance of \$1,425,221. Of these deposits, \$1,022,498 was covered by FDIC insurance and \$402,723 was collateralized in accordance with Minn. Stat. § 118A.03.

**Investments**

Investment of City funds is restricted by *Minnesota Statutes*. Authorized investments include obligations of the U.S. Treasury and U.S. Agencies, bankers’ acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor’s Corporate or P-1 by Moody’s Commercial Paper Record.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments listed below are all valued using quoted market prices (Level 1).

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

The City's investments in 4M Fund were categorized as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Primary Government				
4M fund	\$ 987,757	\$ 987,757	\$ -	\$ -
Certificates of deposit	1,022,860	-	1,022,860	-
<b>TOTAL</b>	<b><u>\$ 2,010,617</u></b>	<b><u>\$ 987,757</u></b>	<b><u>\$ 1,022,860</u></b>	<b><u>\$ -</u></b>

The Minnesota Municipal Money Market Fund (4M Fund) operates in accordance with appropriate State laws and regulations. The 4M fund is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under Rule 2a-7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Advances**

Interfund advances for the year ended December 31, 2024, were as follows:

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 56,594

The purpose of the advance from the Capital Projects Fund was to finance the construction in progress for the restroom project at the park. The advance has a repayment schedule set up with payments at 2.30% interest and maturing in February of 2028.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**Fund Transfers**

For the year ended December 31, 2024, transfers between funds were as follows:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
Nursing Home Debt Service	General	\$ 24,998
Liquor	General	70,000
2013 Street & Utility Debt Service	2020A G.O. Refunding Bonds Debt Service	102,824

The transfer from the Nursing Home Debt Service to the General Fund was to aid in operations. The transfer from the Liquor Fund to the General Fund was to aid in operations. The transfer from the 2013 Street & Utility Debt Service Fund to the 2020A G.O. Refunding Bonds Fund was to close out the 2013 Street & Utility Debt Service Fund from bond refunding.

**NOTE 5 – NOTE RECEIVABLE**

The City issued debt for Greenwood Connections. A note receivable from the component unit has been recorded in the financial statements of the City, with a balance of \$3,830,000 as of December 31, 2024. The terms of the repayment of this note by the component unit corresponds to the City’s repayment of the related debt described in Note 11.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 6 – CAPITAL ASSETS**

Activity in capital assets for the City was as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2024</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 79,013	\$ -	\$ -	\$ 79,013
Capital assets being depreciated				
Land improvements	4,000	-	-	4,000
Buildings	551,385	18,594	-	569,979
Equipment	1,799,466	31,147	30,863	1,799,750
Infrastructure	1,755,733	-	-	1,755,733
	<u>4,110,584</u>	<u>49,741</u>	<u>30,863</u>	<u>4,129,462</u>
Accumulated depreciation for				
Land improvements	(400)	(267)	-	(667)
Buildings	(339,497)	(12,809)	-	(352,306)
Equipment	(1,444,425)	(68,475)	(30,863)	(1,482,037)
Infrastructure	(698,652)	(45,984)	-	(744,636)
	<u>(2,482,974)</u>	<u>(127,535)</u>	<u>(30,863)</u>	<u>(2,579,646)</u>
Total capital assets being depreciated, net	<u>1,627,610</u>	<u>(77,794)</u>	<u>-</u>	<u>1,549,816</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b><u>\$ 1,706,623</u></b>	<b><u>\$ (77,794)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,628,829</u></b>

**CITY OF MENA HGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 6 – CAPITAL ASSETS** (Continued)

	<u>Balance 2023</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2024</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 81,854	\$ -	\$ -	\$ 81,854
Construction in progress	1,296,969	13,155	1,255,318	54,806
	<u>1,378,823</u>	<u>13,155</u>	<u>1,255,318</u>	<u>136,660</u>
Capital assets being depreciated				
Land improvements	12,846	16,615	-	29,461
Buildings	384,585	37,188	-	421,773
Equipment	375,869	114,651	37,988	452,532
Infrastructure	9,228,862	1,255,318	96,279	10,387,901
	<u>10,002,162</u>	<u>1,423,772</u>	<u>134,267</u>	<u>11,291,667</u>
Accumulated depreciation for				
Land improvements	(12,846)	(646)	-	(13,492)
Buildings	(322,060)	(7,693)	-	(329,753)
Equipment	(292,116)	(16,459)	(37,988)	(270,587)
Infrastructure	(6,248,983)	(374,897)	(96,279)	(6,527,601)
	<u>(6,876,005)</u>	<u>(399,695)</u>	<u>(134,267)</u>	<u>(7,141,433)</u>
Total capital assets being depreciated, net	<u>3,126,157</u>	<u>1,024,077</u>	<u>-</u>	<u>4,150,234</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 4,504,980</u></b>	<b><u>\$ 1,037,232</u></b>	<b><u>\$ 1,255,318</u></b>	<b><u>\$ 4,286,894</u></b>

The construction in progress balance as of December 31, 2024 relates to watermain replacement project.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 6 – CAPITAL ASSETS** (Continued)

Depreciation expense was charged to the following functions or programs as follows:

<b>Governmental Activities</b>	
General government	\$ 24,917
Public safety	62,781
Public works	31,791
Culture and recreation	<u>8,046</u>
<b>TOTAL</b>	<b><u>\$ 127,535</u></b>
<b>Business-Type Activities</b>	
Water	\$ 267,911
Sewer	121,894
Liquor	<u>9,890</u>
<b>TOTAL</b>	<b><u>\$ 399,695</u></b>

**NOTE 7 – LONG-TERM OBLIGATIONS**

The City's long-term obligations activity was as follows:

	<u>Balance</u> <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>2024</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
General obligations					
Bonds	\$5,555,000	\$ -	\$ 495,000	\$ 5,060,000	\$ 440,000
Less: bond discounts	<u>(2,367)</u>	-	<u>(406)</u>	<u>(1,961)</u>	-
Net general obligations	5,552,633	-	494,594	5,058,039	440,000
Direct borrowings and placements					
Fire tanker financing	133,000	-	25,000	108,000	26,000
Other Liabilities					
Compensated absences	14,578	18,836	-	33,414	10,904
Net pension liability	<u>355,226</u>	-	<u>97,175</u>	<u>258,051</u>	-
Total Other Liabilities	<u>369,804</u>	<u>18,836</u>	<u>97,175</u>	<u>291,465</u>	<u>10,904</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$6,055,437</u></b>	<b><u>\$ 18,836</u></b>	<b><u>\$ 616,769</u></b>	<b><u>\$ 5,457,504</u></b>	<b><u>\$ 476,904</u></b>

**CITY OF MENAUGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

	<u>Balance 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2024</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
General obligations					
Bonds	\$ 186,000	\$ -	\$ 15,000	\$ 171,000	\$ 15,000
PFA notes	604,000	-	28,000	576,000	28,000
Total general obligations	<u>790,000</u>	<u>-</u>	<u>43,000</u>	<u>747,000</u>	<u>43,000</u>
Other Liabilities					
Compensated absences	20,731	-	-	20,731	6,910
Net pension liability	175,506	-	60,834	114,672	-
Total Other Liabilities	<u>196,237</u>	<u>-</u>	<u>60,834</u>	<u>135,403</u>	<u>6,910</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 986,237</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 103,834</u></b>	<b><u>\$ 882,403</u></b>	<b><u>\$ 49,910</u></b>

Details of the bonds and notes payable are as follows:

	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance 2024</u>
<b>Governmental Activities</b>				
General Obligation Debt				
2012A (refunding portion of 2000 bonds)	\$ 815,000	2027	2 - 3%	\$ 125,000
2013B improvement	270,000	2029	3 - 4%	105,000
2015B improvement refunding	830,000	2030	0.85 - 3%	355,000
2017A nursing home revenue	4,875,000	2038	3 - 3.5%	3,705,000
2020A improvement refunding	1,215,000	2029	1.00%	770,000
Direct Borrowings and Placements				
Fire tanker truck finance	181,000	2028	2.50%	<u>108,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				<b><u>\$5,168,000</u></b>
<b>Business-Type Activities</b>				
General Obligation Revenue Debt				
2015 PFA drinking water note	\$ 297,371	2035	1.00%	\$ 171,000
2022 PFA drinking water note	614,500	2042	1.524%	<u>576,000</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				<b><u>\$ 747,000</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

Debt service requirements to maturity are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Years Ending December 31				
2025	\$ 466,000	\$ 138,429	\$ 43,000	\$ 10,488
2026	542,000	128,102	44,000	9,912
2027	557,000	114,797	44,000	9,320
2028	498,000	102,306	44,000	8,728
2029	485,000	90,273	45,000	8,136
2030 - 2034	1,400,000	314,120	236,000	31,362
2035 - 2039	1,220,000	85,256	185,000	16,040
2040 - 2042	-	-	106,000	3,232
<b>TOTAL</b>	<b><u>\$5,168,000</u></b>	<b><u>\$ 973,283</u></b>	<b><u>\$ 747,000</u></b>	<b><u>\$ 97,218</u></b>

**NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets for the governmental and business-type activities as presented in the statement of net position as of December 31, 2024 is determined as follows:

Land	\$ 79,013
Other capital assets, net of accumulated depreciation	1,549,816
Long-term debt outstanding	<u>(566,039)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,062,790</u></b>
Land	\$ 81,854
Construction in progress	54,806
Other capital assets, net of accumulated depreciation	4,150,234
Long-term debt outstanding	<u>(747,000)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS - BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 3,539,894</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**Plan Description**

The City participates in the following cost-sharing multiple-employer 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.

**1. General Employees Retirement Plan**

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.

**2. Public Employees Police and Fire Plan**

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

**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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Benefits Provided** (Continued)

1. General Employees Plan Benefits

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.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Benefits Provided** (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months 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 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**Contributions**

*Minnesota Statutes* Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members are 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 \$40,669. The City’s contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2024 were \$34,036. The City’s contributions were equal to the required contributions as set by state statute.

**Pension Costs**

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$210,404 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$5,441.

City’s proportionate share of the net pension liability	\$ 210,404
State of Minnesota’s proportionate share of the net pension liability associated with the City	5,441
	5,441
<b>TOTAL</b>	<b>\$ 215,845</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

1. General Employees Fund Pension Costs (Continued)

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 proportionate share was 0.0057% at the end of the measurement period and 0.0056% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$12,033 for its proportionate share of General Employees Plan’s pension expense. In addition, the City recognized an additional \$146 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 14,728	\$ -
Changes in actuarial assumptions	733	59,037
Net collective difference between projected and actual investment earnings	-	56,866
Changes in proportion	8,811	7,207
Contributions paid to PERA subsequent to the measurement date	<u>20,331</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 44,603</u></b>	<b><u>\$ 123,110</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

1. General Employees Fund Pension Costs (Continued)

The \$20,331 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year Ended December 31:	
2025	\$ (61,456)
2026	(5,032)
2027	(19,440)
2028	(12,910)
<b>TOTAL</b>	<b><u>\$ (98,838)</u></b>

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$162,319 for its proportionate share of Police and Fire Fund’s net pension liability. 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 proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0123% at the end of the measurement period and 0.0126% for the beginning of the period.

The State of Minnesota also contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, the \$9 million direct state was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$6,88.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs (Continued)

City’s proportionate share of the net pension liability	\$ 162,319
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>6,188</u>
<b>TOTAL</b>	<b><u>\$ 168,507</u></b>

For the year ended December 31, 2024, the City recognized pension expense of \$19,336 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$601 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$1,110 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 Police and Fire Fund.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 58,496	\$ -
Changes in actuarial assumptions	202,916	204,027
Net collective difference between projected and actual investment earnings	-	35,637
Changes in proportion	8,924	109,026
Contributions paid to PERA subsequent to the measurement date	<u>17,018</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 287,354</u></b>	<b><u>\$ 348,690</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The \$17,018 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended December 31:	<b>Pension Expense Amount</b>
2025	\$ (8,117)
2026	40,293
2027	(33,375)
2028	(79,643)
2029	2,488
<b>TOTAL</b>	<b><u>\$ (78,354)</u></b>

**Long-Term Expected Return on Investment**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
<b>TOTAL</b>	<b><u>100.00%</u></b>	

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Methods and 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, and the Police & Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, and 1% for the Police & Fire 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. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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 is 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 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 most recent four-year experience studies for the Police and Fire was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Methods and Assumptions** (Continued)

The following changes in actuarial assumptions 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.

Police and Fire Fund

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

**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 positions of the General Employees Fund and the Police and Fire Fund 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:

<b>Sensitivity Analysis</b>				
<b>Net Pension Liability (Asset) at Different Discount Rates</b>				
	<b>General Employees Fund</b>		<b>Police and Fire Fund</b>	
1% lower	6.00%	\$ 459,554	6.00%	\$ 383,590
Current discount rate	7.00%	210,404	7.00%	162,319
1% higher	8.00%	5,454	8.00%	(19,392)

**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](http://www.mnpera.org).

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Menahga are members of the Menahga Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to *Minnesota Statutes*, Chapter 69, Chapter 4224A, and the Association's by-laws. As of December 31, 2024, membership includes 22 active participants and 4 deferred participants entitled to benefits but not yet receiving them.

**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 at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,000 for each year of active fire department service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* 424A.02, Subds. 2 and 4, members who retire with ten years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* 424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$1,600 for each year the member was an active member of the Menahga 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* 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Contributions**

*Minnesota Statutes* chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid 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 and State aid is determined as follows:

	Normal Cost
+	Amortization payment on unfunded accrued liability prior to change
+	Amortization contribution on unfunded accrued liability attributed to any change
+	Administrative expenses
-	Anticipated state aid
-	Projected investment earnings
=	<b>TOTAL CONTRIBUTION REQUIRED</b>

---

---

The Plan is funded in part by fire State aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$25,026 in fire State aid paid by the City to the Relief Association for the year ended December 31, 2024. 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, 2024 was \$0. In addition, the City made voluntary contributions of \$3,000 to the plan.

**Pension Costs**

At December 31, 2024, the City reported an asset of \$95,497, for the Association's net pension asset. The net pension asset was measured as of December 31, 2024, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Pension Costs** (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of (\$13,979) 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 46,141
Changes in actuarial assumptions	644	6,812
Difference between projected and actual investment earnings	15,257	-
Changes in proportion	-	-
City contributions subsequent to the measurement date	28,026	-
<b>TOTAL</b>	<b>\$ 43,927</b>	<b>\$ 52,953</b>

The City contributions to the Association subsequent to the measurement date of \$28,026 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to the Association’s pension will be recognized in pension expense as follows:

Year Ended December 31:	<b>Pension Expense Amount</b>
2025	\$ (6,578)
2026	1,471
2027	5,561
2028	(16,484)
2029	(6,284)
Thereafter	(14,738)
<b>TOTAL</b>	<b>\$ (37,052)</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2024
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Discount rate	5.00%
Investment rate of return	4.25%
20-year municipal bond yield	3.50%
Age of service retirement	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, 2024 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	12.00%	2.00%
Fixed income	54.00%	3.90%
Equities	34.00%	7.80%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.00%</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 5%. 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.

**Pension Asset Sensitivity**

The following presents the City’s net pension asset of the Association, calculated using the discount rate of 5%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4%) or one percentage point higher (6%) than the current rate:

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	\$ (83,905)	\$ (95,497)	\$ (106,413)
Discount rate	4.00%	5.00%	6.00%

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Plan’s Fiduciary Net Position**

Information about the Plan’s fiduciary net position is as follows:

	<b>2023</b>
<b>ASSETS</b>	
State Board of Investments	\$ 601,075
<b>TOTAL ASSETS</b>	<b>\$ 601,075</b>
<b>NET POSITION - UNRESTRICTED</b>	<b>\$ 601,075</b>
<b>REVENUES</b>	
Fire state aid	\$ 20,760
Municipal contribution	3,000
Investment earnings	69,458
Total Revenues	93,218
<b>EXPENSES</b>	
Administrative expense	4,570
<b>CHANGE IN NET POSTION</b>	88,648
<b>BEGINNING NET POSITION</b>	512,427
<b>ENDING NET POSITION</b>	<b>\$ 601,075</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 10 – VOLUNTEER FIRE RELIEF ASSOCIATION** (Continued)

**Plan’s Fiduciary Net Position** (Continued)

Information about the changes in the Plan’s net pension asset is as follows:

	<b>Measurement Date January 1, 2023</b>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 19,228
Interest	24,075
Net Change in Total Pension Liability	43,303
Total pension liability - beginning	462,275
Total pension liability - ending (a)	505,578
<b>PLAN FIDUCIARY NET POSITION</b>	
Municipal contributions	3,000
State contributions	20,760
Net investment income	26,101
Gain or loss	43,357
Administrative expenses	(4,570)
Net Change in Fiduciary Net Position	88,648
Fiduciary net position - beginning	512,427
Fiduciary net position - ending (b)	601,075
<b>ASSOCIATION’S NET PENSION ASSET - ENDING (a) - (b)</b>	<b>\$ (95,497)</b>

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued financial report. That report may be obtained by calling Menahga City Hall at (218)-564-4557.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT**

**Greenwood Connections**

**Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies followed by Greenwood Connections (the Organization).

**Basis of Accounting**

Greenwood Connections utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis.

**Cash and Cash Equivalents**

Cash and cash equivalents include deposits and highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Organization considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

**Short-Term Investments**

Short-term investments includes certificates of deposits with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

**Resident Receivables**

Resident receivables are uncollateralized resident and third-party payor obligations. Payments of resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews accounts outstanding more than 90 days for collectability.

**Noncurrent Cash and Investments**

Noncurrent cash and investments include assets set aside by the board of directors for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes. Noncurrent cash and investments that are required for obligations classified as current liabilities are reported as current assets. Certificates of deposits are recorded at historical cost plus accrued interest.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Capital Assets**

Capital assets are reported at cost, if purchased, or at fair market value on the date received, if donated. Major additions and betterments are charged to the capital assets accounts while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is provided on a straight-line basis over the estimated useful lives of the property, which range from 5 to 40 years.

**Tenant Security Deposits**

The Apartments hold in trust security deposits advanced by their tenants. The Organization records these deposits plus an amount sufficient to fund a minimum of 1% simple interest as a liability, accrued from the date of the deposit.

**Net Position**

Net position of the Organization is classified in three components as follows:

Net Investment in Capital Assets – consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted Net Position – must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Facility.

Unrestricted Net Position – the remaining net position that does not meet the definition of *Net Investment in Capital Assets* or *Restricted Net Position*.

**Net Resident Service Revenue**

Net resident service revenues include room charges and ancillary services to residents and are recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payors.

Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Difference between the estimated amounts accrued and subsequent settlements are recorded in revenues in the year of settlement.

**Third-Party Reimbursement Agreements**

Medicaid

The Organization participates in the Medicaid program which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUGs) for purposes of establishing payment rates.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Third-Party Reimbursement Agreements** (Continued)

Medicaid (Continued)

Medicaid payment rates primarily consist of operating rates, a property related rate, and certain pass-through costs. Annual operating rate increases are applied if funding is appropriated by the Minnesota Legislature.

By Minnesota Statutes, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Organization is paid under the Patient Driven Payment Model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that the nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

**Contributions**

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of expenses.

**Deposits**

In accordance with *Minnesota Statutes*, the Organization maintains deposits at the depository bank which is authorized by the City Council and is a member of the Federal Reserve System.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Deposits** (Continued)

Minnesota Statutes require that all of the Organization’s deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes legal investments as well as certain first year mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Organizations deposits at December 31, 2024 were entirely covered by federal depository insurance or collateral held by the Organization’s custodial bank in the Organization’s name.

**Capital Assets**

Capital asset activity for the period ended December 31, 2024 was as follows:

	<u>Balance</u> <u>12-31-23</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>12-31-24</u>
<b>Greenwood Connections</b>				
Capital assets not being depreciated				
Land	\$ 87,340	\$ -	\$ -	\$ 87,340
Capital assets being depreciated				
Land improvements	66,205	-	-	66,205
Buildings and improvements	11,392,971	169,396	-	11,562,367
Equipment and furninshings	1,515,261	370,770	(46,673)	1,839,358
	<u>12,974,437</u>	<u>540,166</u>	<u>(46,673)</u>	<u>13,467,930</u>
Accumulated depreciation	<u>(6,372,636)</u>	<u>(531,723)</u>	<u>46,673</u>	<u>(6,857,686)</u>
Total capital assets being depreciated, net	<u>6,601,801</u>	<u>8,443</u>	<u>-</u>	<u>6,610,244</u>
<b>COMPONENT UNIT CAPITAL ASSETS, NET</b>	<b><u>\$6,689,141</u></b>	<b><u>\$ 8,443</u></b>	<b><u>\$ -</u></b>	<b><u>\$6,697,584</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Long-term Obligations**

The long-term debt obligations outstanding at December 31, 2024 are summarized as follows:

	<u>Range of Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding Balance</u>
G.O. Bonds, Series 2012	2.00%	\$ 815,000	\$ 125,000
G.O. Bonds, Series 2017	3.00 - 3.50%	4,875,000	3,705,000
<b>TOTAL</b>			<b><u>\$ 3,830,000</u></b>

Annual debt service requirements to maturity, including interest payments, are as follows:

	<u>Greenwood Connections</u>		
	<u>Long-term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 275,000	\$ 117,344	\$ 392,344
2026	290,000	108,944	398,944
2027	230,000	100,169	330,169
2028	235,000	93,194	328,194
2029	245,000	85,994	330,994
2030-2034	1,335,000	313,147	1,648,147
2035-2039	1,220,000	85,256	1,305,256
<b>TOTAL</b>	<b><u>\$ 3,830,000</u></b>	<b><u>\$ 904,048</u></b>	<b><u>\$ 4,734,048</u></b>

**Pensions**

*Plan Description*

The Organization participates in the following cost-sharing multiple-employer 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*Plan Description* (Continued)

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.

*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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*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.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the Organization was required to contribute 7.50% for General Plan members. The Organization contributions to the General Employees Fund for the year ended December 31, 2024, were \$339,570. The Organization contributions were equal to the required contributions as set by state statute.

*Pension Costs*

At December 31, 2024, the Organization reported a liability of \$1,905,855 for its proportionate share of the General Employees Fund's net pension liability. The Organization net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Organization totaled \$49,282.

The net pension liability was measured as of July 1, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportionate share of the net pension liability was based on the Organization'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 Organization's proportionate share was .0516% at the end of the measurement period and .0529% for the beginning of the period.

For the period ended December 31, 2024, the Organization recognized pension expense of \$59,163, for its proportionate share of General Employee Fund's pension expense. In addition, the Organization recognized an additional \$78,598 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*Pension Costs* (Continued)

At December 31, 2024 the Organization reported its proportionate share of General Employees Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 181,391	\$ -
Changes of assumptions	10,072	735,104
Net difference between projected and actual earnings on pension plan investments	-	516,139
Changes in proportion	25,623	171,359
Organization contributions made subsequent to the measurement date	170,133	-
<b>TOTAL</b>	<b>\$ 387,219</b>	<b>\$ 1,422,602</b>

The \$170,133 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year Ended December 31:	
2025	\$ (648,066)
2026	(157,396)
2027	(253,983)
2028	(146,071)
<b>TOTAL</b>	<b>\$ (1,205,516)</b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*Actuarial Assumptions*

The total pension liability in the June 30, 2024, actuarial valuation was determined using the 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%. The 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% was deemed to be within that range of reasonableness for financial reporting purposes.

For the General Employees Plan, inflation is assumed to be 2.25%. Benefit increase after retirement are assumed to be 1.25%. Salary growth assumptions range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates 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 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. 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:

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 MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*Actuarial Assumptions* (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.

*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 weighing 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
<b>TOTAL</b>	<b>100.00%</b>	

*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 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

**NOTE 11 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNIT** (Continued)

**Pensions** (Continued)

*Pension Liability Sensitivity*

The following presents the Organization’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 Organization’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:

<b>Sensitivity Analysis</b>		
<b>Net Pension Liability (Asset) at Different Discount Rates</b>		
	<b>General Employees Fund</b>	
1% lower	6.00%	\$ 4,162,693
Current discount rate	7.00%	1,905,855
1% higher	8.00%	49,399

**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](http://www.mnpera.org).

**Litigations, Claims, and Disputes**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 12 – TAX INCREMENT FINANCING DISTRICTS**

The City has one pay-as-you-go tax increment financing district with local businesses to promote economic development within the City as authorized under *Minnesota Statute 469.174*. The City is currently collecting tax increments that are paid through the property tax collection process. Collections on the district will stop as of December 31, 2040. The requirement for the business to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreement calls for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2024, the City paid excess tax increments in the amount of \$17,018. No other commitments were made by the City as part of this agreement.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of LMCIT provides that the pool be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. LMCIT can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2024**

---

**NOTE 14 – CONTINGENCIES**

**Tax Increment Districts**

Tax increment districts are subject to review by the Minnesota Office of the State Auditor. Unallowable use of tax increments could result in a liability to the City. Management is not aware of any instances of noncompliance with tax increment regulations which would have a material effect on the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULES OF CONTRIBUTIONS**  
**PUBLIC EMPLOYEES FUNDS**  
**(Last Ten Years)**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
<b>Public Employees General Employees Fund</b>					
December 31, 2024	\$ 40,669	\$ 40,669	\$ -	\$ 542,253	7.50%
December 31, 2023	34,823	34,823	-	464,309	7.50%
December 31, 2022	27,970	27,970	-	372,933	7.50%
December 31, 2021	34,097	34,097	-	454,623	7.50%
December 31, 2020	33,853	33,853	-	451,373	7.50%
December 31, 2019	28,599	28,599	-	381,316	7.50%
December 31, 2018	29,449	29,449	-	392,653	7.50%
December 31, 2017	27,985	27,985	-	373,132	7.50%
December 31, 2016	28,072	28,072	-	374,293	7.50%
December 31, 2015	24,477	24,477	-	326,360	7.50%
<b>Public Employees Police and Fire Fund</b>					
December 31, 2024	\$ 34,036	\$ 34,036	\$ -	\$ 192,296	17.70%
December 31, 2023	27,678	27,678	-	156,370	17.70%
December 31, 2022	34,439	34,439	-	194,571	17.70%
December 31, 2021	35,841	35,841	-	202,493	17.70%
December 31, 2020	34,701	34,701	-	196,051	17.70%
December 31, 2019	22,779	22,779	-	134,392	16.95%
December 31, 2018	25,046	25,046	-	154,604	16.20%
December 31, 2017	25,884	25,884	-	159,780	16.20%
December 31, 2016	25,194	25,194	-	155,519	16.20%
December 31, 2015	24,373	24,373	-	150,451	16.20%

**CITY OF MENA HGA, MINNESOTA**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES FUNDS**  
**(Last Ten Years)**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)</u>	<u>Employer's Covered-Employee Payroll (c)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<b>Public Employees General Employees Fund</b>							
June 30, 2024	0.0057%	\$ 210,404	\$ 5,441	\$ 215,845	\$ 542,253	38.80%	89.08%
June 30, 2023	0.0056%	313,146	8,551	321,697	464,309	67.44%	83.10%
June 30, 2022	0.0054%	427,683	12,632	440,315	372,933	114.68%	76.67%
June 30, 2021	0.0063%	269,038	8,226	277,264	454,623	59.18%	87.00%
June 30, 2020	0.0067%	401,696	12,554	414,250	451,373	88.99%	79.06%
June 30, 2019	0.0052%	287,496	674	288,170	381,316	75.40%	80.23%
June 30, 2018	0.0058%	321,760	10,571	332,331	392,653	81.95%	79.53%
June 30, 2017	0.0058%	370,268	4,638	374,906	373,132	99.23%	75.90%
June 30, 2016	0.0060%	487,170	6,385	493,555	374,293	130.16%	68.91%
June 30, 2015	0.0053%	274,674	-	274,674	326,360	84.16%	78.19%
<b>Public Employees Police and Fire Fund</b>							
June 30, 2024	1.2300%	\$ 162,319	\$ 6,188	\$ 168,507	\$ 192,296	84.41%	90.17%
June 30, 2023	0.0126%	217,586	8,759	226,345	156,370	139.15%	86.47%
June 30, 2022	0.0169%	735,421	32,058	767,479	194,571	377.97%	70.53%
June 30, 2021	0.0167%	128,906	5,778	134,684	202,493	63.66%	93.66%
June 30, 2020	0.0165%	217,488	-	217,488	196,051	110.93%	87.19%
June 30, 2019	0.0114%	163,082	-	163,082	134,392	121.35%	89.26%
June 30, 2018	0.0153%	163,082	-	163,082	154,604	105.48%	88.84%
June 30, 2017	0.0150%	202,518	-	202,518	159,780	126.75%	85.43%
June 30, 2016	0.0170%	682,240	-	682,240	155,519	438.69%	63.88%
June 30, 2015	0.0160%	181,797	-	181,797	150,451	120.83%	86.61%

**CITY OF MENA HGA, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**  
**MENAHGA FIRE RELIEF ASSOCIATION**  
**(Last Ten Years)**

	Measurement Date									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service cost	\$ 19,228	\$ 16,463	\$ 16,061	\$ 17,387	\$ 16,963	\$ 15,229	\$ 14,858	\$ 15,728	\$ 13,568	\$ 13,237
Interest cost	24,075	16,622	15,702	16,186	15,652	13,427	12,258	12,765	9,773	8,767
Assumption changes	-	(8,176)	-	-	-	-	-	1,932	-	-
Plan changes	-	84,450	-	-	-	51,173	-	-	31,918	-
Gain or loss	-	(21,719)	-	(12,601)	-	(29,196)	-	(20,295)	-	-
Benefit payments	-	-	(21,064)	(40,975)	-	-	-	(8,980)	-	-
Net change in total pension liability	43,303	87,640	10,699	(20,003)	32,615	50,633	27,116	1,150	55,259	22,004
Total pension liability - beginning	462,275	374,635	363,936	383,939	351,324	300,691	273,575	272,425	217,166	195,162
Total pension liability - ending (a)	505,578	462,275	374,635	363,936	383,939	351,324	300,691	273,575	272,425	217,166
<b>Plan Fiduciary Net Position</b>										
Municipal contributions	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	2,000	2,000
State contributions	20,760	18,256	15,852	17,699	14,570	13,933	13,681	14,530	13,532	12,857
Projected investment return	26,101	24,953	22,714	20,606	18,106	17,614	15,688	15,259	14,621	13,188
Other changes	-	-	-	-	-	-	-	-	-	3,467
Gain or loss	43,357	(110,289)	20,459	40,240	42,073	(23,291)	12,811	2,160	(12,473)	-
Benefit payments	-	-	(21,064)	(40,975)	-	-	-	(8,980)	-	-
Administrative expenses	(4,570)	-	-	-	-	-	-	-	-	-
Net Change in Fiduciary Net Position	88,648	(64,080)	40,961	40,570	77,749	11,256	45,180	25,969	17,680	31,512
Fiduciary net position - beginning	512,427	576,507	535,546	494,976	417,227	405,971	360,791	334,822	317,142	285,630
Fiduciary net position - ending (b)	601,075	512,427	576,507	535,546	494,976	417,227	405,971	360,791	334,822	317,142
<b>ASSOCIATION'S NET PENSION ASSET - ENDING (a) - (b)</b>	<b>\$ (95,497)</b>	<b>\$ (50,152)</b>	<b>\$ (201,872)</b>	<b>\$ (171,610)</b>	<b>\$ (111,037)</b>	<b>\$ (65,903)</b>	<b>\$ (105,280)</b>	<b>\$ (87,216)</b>	<b>\$ (62,397)</b>	<b>\$ (99,976)</b>
Fiduciary net position as a percentage of the total pension liability	118.89%	110.85%	153.88%	147.15%	128.92%	118.76%	135.01%	131.88%	122.90%	146.04%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF MENA HGA, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 432,802	\$ 432,802	\$ 432,190	\$ (612)
Franchise taxes	500	500	500	-
Total Taxes	433,302	433,302	432,690	(612)
Special assessments	7,250	7,250	-	(7,250)
Payments in lieu of taxes	25,000	25,000	55,000	30,000
Licenses and permits	2,400	2,400	2,755	355
Intergovernmental				
State				
Local government aid	428,693	428,693	482,062	53,369
Market value credit	500	500	423	(77)
Fire relief aid	17,000	17,000	25,026	8,026
Police aid	20,000	20,000	27,678	7,678
Other	30,325	30,325	78,330	48,005
Total Intergovernmental	496,518	496,518	613,519	117,001
Charges for Services				
Fire services	46,500	46,500	49,795	3,295
Streets	1,050	1,050	570	(480)
Dump station fees	1,000	1,000	4,288	3,288
Camping and park rental fees	20,000	20,000	51,696	31,696
Cemetery plot sales and maintenance	-	-	1,400	1,400
Total Charges for Services	68,550	68,550	107,749	39,199
Fines and Forfeitures	12,140	12,140	6,471	(5,669)
Investment Earnings	19,400	19,400	27,984	8,584
Contributions and Grants	2,000	2,000	59,617	57,617
Other	47,400	47,400	26,678	(20,722)
Total Revenues	1,113,960	1,113,960	1,332,463	218,503
<b>EXPENDITURES</b>				
Current				
General Government				
Mayor and council	17,300	17,300	16,537	(763)
Clerk/finance and administration	234,013	234,013	300,104	66,091
Elections	5,100	5,100	3,575	(1,525)
Professional fees (audit, legal, etc.)	94,100	94,100	104,594	10,494
Planning and zoning	2,732	2,732	2,102	(630)
Government buildings	38,721	38,721	38,450	(271)
Other - unclassified	20,770	20,770	2,356	(18,414)
Total General Government	412,736	412,736	467,718	54,982

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDIURES (Continued)</b>				
Current (Continued)				
Public Safety				
Police	\$ 284,021	\$ 284,021	\$ 330,880	\$ 46,859
Fire	90,837	90,837	106,277	15,440
Total Public Safety	<u>374,858</u>	<u>374,858</u>	<u>437,157</u>	<u>62,299</u>
Public Works				
Street maintenance	144,920	144,920	97,317	(47,603)
Street lighting	22,000	22,000	22,661	661
Total Public Works	<u>166,920</u>	<u>166,920</u>	<u>119,978</u>	<u>(46,942)</u>
Culture and Recreation				
City park	50,780	50,780	53,130	2,350
City beach	17,106	17,106	13,088	(4,018)
Total Culture and Recreation	<u>67,886</u>	<u>67,886</u>	<u>66,218</u>	<u>(1,668)</u>
Miscellaneous				
Insurance - unallocated	26,563	26,563	36,754	10,191
Cemetery	-	-	3,459	3,459
Other	(2,528)	(2,528)	15,799	18,327
Total Miscellaneous	<u>24,035</u>	<u>24,035</u>	<u>56,012</u>	<u>31,977</u>
Debt Service				
Principal	33,044	33,044	25,000	(8,044)
Interest	3,763	3,763	4,388	626
Total Debt Service	<u>36,806</u>	<u>36,806</u>	<u>29,388</u>	<u>(7,418)</u>
Capital Outlay				
Buildings	5,000	5,000	-	(5,000)
Public safety	-	-	10,652	10,652
Streets and highways	1,000	1,000	18,594	17,594
Culture and recreation	45,000	45,000	-	(45,000)
Total Capital Outlay	<u>51,000</u>	<u>51,000</u>	<u>29,246</u>	<u>(21,754)</u>
Total Expenditures	<u>1,134,241</u>	<u>1,134,241</u>	<u>1,205,717</u>	<u>71,476</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,281)</b>	<b>(20,281)</b>	<b>126,746</b>	<b>147,027</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	9,400	9,400
Insurance recovery	-	-	181	181
Transfers in	35,280	35,280	94,998	59,718
Transfers out	(20,000)	(20,000)	-	20,000
Net Other Financing Sources (Uses)	<u>15,280</u>	<u>15,280</u>	<u>104,579</u>	<u>89,299</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>231,325</b>	<b>236,325</b>
<b>FUND BALANCES – BEGINNING</b>	<b>271,887</b>	<b>271,887</b>	<b>271,887</b>	<b>-</b>
<b>FUND BALANCES – ENDING</b>	<b><u>\$ 266,887</u></b>	<b><u>\$ 266,887</u></b>	<b><u>\$ 503,212</u></b>	<b><u>\$ 236,325</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 1 – BUDGETARY INFORMATION**

**Budgetary Data**

The City adopts annual budgets for its General Fund. The budget is adopted in accordance with state statutes. The operating budget is adopted each year for the General Fund and is prepared on a basis consistent with generally accepted accounting principles. The budgetary data is presented in the schedule of revenues, expenditures, and changes in fund balances – budget and actual includes the original approved budget and any subsequent revisions authorized by the City Council, the final approved budget.

Annual appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements.

Administration can authorize transfers of budgeted amounts within any fund. Revisions that change total expenditures of any fund must be approved by the City Council. Budgetary control is maintained at the object of expenditure category within each activity and is in compliance with state statutes.

**Compliance**

The General Fund's disbursements exceeded budgeted appropriations by \$71,476 for the year ended December 31, 2024. This overage, considered by management to be a result of necessary disbursements critical to operation, was approved by City Council.

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Fund**

*2024 Changes*

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

- 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 MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (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.

*2023 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

*2022 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

*2021 Changes*

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2020 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

*2019 Changes*

Changes in Actuarial Assumptions

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2019 Changes* (Continued)

Changes in Plan Provisions

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

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% 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*

Changes in Actuarial Assumptions:

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

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**General Employees Fund (Continued)**

*2017 Changes (Continued)*

Changes in Plan Provisions:

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

*2016 Changes*

Changes in Actuarial Assumptions:

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund**

*2024 Changes*

Changes in Plan Provisions

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

*2023 Changes*

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

*2022 Changes*

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2022 Changes* (Continued)

Changes in Plan Provisions:

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

*2021 Changes*

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

*2020 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2019 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**Police and Fire Fund** (Continued)

*2017 Changes* (Continued)

Changes in Actuarial Assumptions (Continued):

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

*2016 Changes*

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% 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 changed from 7.9% to 5.6%.
- 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.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**Police and Fire Fund (Continued)**

*2015 Changes*

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

**NOTE 3 – SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS (FIRE RELIEF ASSOCIATION)**

*2023 Changes*

Plan Changes:

- The benefit level increased to \$2,000.

Assumption Changes

- The discount rate changed from 4.25% to 5.00%.

*2022 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2021 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2020 Changes*

There have been no changes to plan provisions, assumptions, or methods since the prior report.

*2019 Changes*

Plan Changes

- The annual benefit level increased from \$1,300 to \$1,600.

**CITY OF MENAHGA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2024**

---

**NOTE 3 – SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS  
(FIRE RELIEF ASSOCIATION) (Continued)**

*2018 Changes*

There were no changes for 2018.

*2017 Changes*

Changes in Actuarial Assumptions

- The discount rate changed from 4.5% to 4.25%

## **SUPPLEMENTARY INFORMATION**

**CITY OF MENA HGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**December 31, 2024**

	Economic Development Revolving Loans	Safe Routes to School	Tax Increment Finance District 1-1	Tax Increment Finance District 1-6	Total
<b>ASSETS</b>					
Cash and investments	\$ 193,278	\$ -	\$ 5,367	\$ -	\$ 198,645
Other receivables	1,457	-	-	-	1,457
<b>TOTAL ASSETS</b>	<b><u>\$ 194,735</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,367</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 200,102</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Overdrawn cash and investments	\$ -	\$ 3,292	\$ -	\$ 4,527	\$ 7,819
Fund Balances					
Restricted for					
Economic development revolving loans	194,735	-	-	-	194,735
Tax increment expenditures	-	-	5,367	-	5,367
Unrestricted					
Unassigned	-	(3,292)	-	(4,527)	(7,819)
Total Fund Balances	<u>194,735</u>	<u>(3,292)</u>	<u>5,367</u>	<u>(4,527)</u>	<u>192,283</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 194,735</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,367</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 200,102</u></b>

**CITY OF MENA HGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended December 31, 2024**

	Economic Development Revolving Loans	Safe Routes to School	Tax Increment Finance District 1-1	Tax Increment Finance District 1-6	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>					
Taxes					
Tax increments	\$ -	\$ -	\$ -	\$ 17,876	\$ 17,876
Net investment earnings	6,469	-	19	-	6,488
Other	1,782	-	-	-	1,782
Total Revenues	<u>8,251</u>	<u>-</u>	<u>19</u>	<u>17,876</u>	<u>26,146</u>
<b>EXPENDITURES</b>					
Current					
Housing and economic development	-	-	-	17,018	17,018
Other	-	-	-	2,980	2,980
Capital outlay	-	-	16,615	-	16,615
Total Expenditures	<u>-</u>	<u>-</u>	<u>16,615</u>	<u>19,998</u>	<u>36,613</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,251	-	(16,596)	(2,122)	(10,467)
<b>FUND BALANCES – BEGINNING</b>	<u>186,484</u>	<u>(3,292)</u>	<u>21,963</u>	<u>(2,405)</u>	<u>202,750</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 194,735</u>	<u>\$ (3,292)</u>	<u>\$ 5,367</u>	<u>\$ (4,527)</u>	<u>\$ 192,283</u>

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUND BY BOND ISSUE**  
**December 31, 2024**

	1996 Water/Sewer Debt Service	Nursing Home Debt Service	2013 Street & Utility Debt Service	2015 G.O. Improvement Refunding Bonds	2020A G.O. Refunding Bonds	Total
<b>ASSETS</b>						
Cash and investments	\$ 49,916	\$ -	\$ 89,618	\$ -	\$ -	\$ 139,534
Taxes receivable – delinquent	38	-	1,986	1,738	-	3,762
Special assessments receivable	58,104	-	250,586	45,084	-	353,774
Due from other governmental units	502	-	4,311	3,115	-	7,928
Notes receivable from component unit	-	3,830,000	-	-	-	3,830,000
<b>TOTAL ASSETS</b>	<b>\$ 108,560</b>	<b>\$ 3,830,000</b>	<b>\$ 346,501</b>	<b>\$ 49,937</b>	<b>\$ -</b>	<b>\$ 4,334,998</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Overdrawn cash and investments	\$ -	\$ -	\$ -	\$ 45,028	\$ -	\$ 45,028
Deferred Inflows of Resources						
Unavailable revenue - taxes	38	-	1,986	1,738	-	3,762
Unavailable revenue - special assessments	58,104	-	250,586	45,083	-	353,773
Unearned revenue - loans receivable	-	3,830,000	-	-	-	3,830,000
Total Deferred Inflows of Resources	58,142	3,830,000	252,572	46,821	-	4,187,535
Fund Balances						
Restricted for						
Debt service	50,418	-	93,929	1,409	-	145,756
Unrestricted						
Unassigned	-	-	-	(43,321)	-	(43,321)
Total Fund Balances	50,418	-	93,929	(41,912)	-	102,435
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 108,560</b>	<b>\$ 3,830,000</b>	<b>\$ 346,501</b>	<b>\$ 49,937</b>	<b>\$ -</b>	<b>\$ 4,334,998</b>

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND BY BOND ISSUE**  
**Year Ended December 31, 2024**

	<b>1996</b>		<b>2013</b>		<b>2015 G.O.</b>		<b>2020A G.O.</b>	
	<b>Water/Sewer</b>	<b>Nursing Home</b>	<b>Street &amp; Utility</b>	<b>Improvement</b>	<b>Refunding Bonds</b>	<b>Refunding Bonds</b>	<b>Refunding Bonds</b>	<b>Total</b>
	<b>Debt Service</b>	<b>Debt Service</b>	<b>Debt Service</b>	<b>Refunding Bonds</b>	<b>Refunding Bonds</b>	<b>Refunding Bonds</b>	<b>Refunding Bonds</b>	<b>Total</b>
<b>REVENUES</b>								
Taxes								
Property taxes	\$ 25	\$ -	\$ 9,310	\$ 67,436	\$ 56,566	\$ 133,337		
Special assessments	12,412	-	67,436	17,023	-	96,871		
Net investment earnings	79	42	355	-	-	476		
Other	-	396,569	-	-	-	396,569		
Total Revenues	<u>12,516</u>	<u>396,611</u>	<u>77,101</u>	<u>84,459</u>	<u>56,566</u>	<u>627,253</u>		
<b>EXPENDITURES</b>								
Debt service								
Principal	-	270,000	20,000	55,000	150,000	495,000		
Interest	-	126,569	5,176	11,268	9,390	152,403		
Total Expenditures	<u>-</u>	<u>396,569</u>	<u>25,176</u>	<u>66,268</u>	<u>159,390</u>	<u>647,403</u>		
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	12,516	42	51,925	18,191	(102,824)	(20,150)		
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	102,824	102,824		
Transfers out	-	(24,998)	(102,824)	-	-	(127,822)		
Total Other Financing Sources (Uses)	<u>-</u>	<u>(24,998)</u>	<u>(102,824)</u>	<u>-</u>	<u>102,824</u>	<u>(24,998)</u>		
<b>NET CHANGE IN FUND BALANCES</b>	12,516	(24,956)	(50,899)	18,191	-	(45,148)		
<b>FUND BALANCES – BEGINNING</b>	<u>37,902</u>	<u>24,956</u>	<u>144,828</u>	<u>(60,103)</u>	<u>-</u>	<u>147,583</u>		
<b>FUND BALANCES – ENDING</b>	<u>\$ 50,418</u>	<u>\$ -</u>	<u>\$ 93,929</u>	<u>\$ (41,912)</u>	<u>\$ -</u>	<u>\$ 102,435</u>		

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUND BY CAPITAL PROJECT**  
**December 31, 2024**

	<u>Capital Equipment</u>	<u>Region 5 Energy Initiative</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 178,531	\$ -	\$ 178,531
Advance from other funds	56,594	-	56,594
<b>TOTAL ASSETS</b>	<b><u>\$ 235,125</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 235,125</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund Balances			
Restricted for Capital projects	<u>235,125</u>	<u>-</u>	<u>235,125</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 235,125</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 235,125</u></b>

**CITY OF MENAHGA, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND BY CAPITAL PROJECT**  
**Year Ended December 31, 2024**

	<u>Capital Equipment</u>	<u>Region 5 Energy Initiative</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes			
Fines and forfeits	\$ 1,320	\$ -	\$ 1,320
Net investment earnings	6,997	-	6,997
Contributions and donations	6,300	-	6,300
Total Revenues	<u>14,617</u>	<u>-</u>	<u>14,617</u>
<b>OPERATING EXPENSES</b>			
Current			
General government	3,671	-	3,671
Public safety	3,904	-	3,904
Capital outlay	20,495	16,467	36,962
Total Expenditures	<u>28,070</u>	<u>16,467</u>	<u>44,537</u>
<b>NET CHANGE IN FUND BALANCES</b>	(13,453)	(16,467)	(29,920)
<b>FUND BALANCES – BEGINNING</b>	<u>248,578</u>	<u>16,467</u>	<u>265,045</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ 235,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 235,125</u></u>

## **OTHER REPORTS**



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

To the Honorable Mayor and Members of the City Council  
City of Menahga, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menahga, Minnesota 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 July 2, 2025.

The City’s basic financial statements include the operations of Greenwood Connections. This report does not include reporting on internal control over financial reporting or instances of noncompliance associated with Greenwood Connections because the component unit engaged for its own separate audit that included the provisions of the *Government Auditing Standards* issued by the Comptroller General of the United States.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2024-001, 2024-002, and 2024-003, that we consider to be significant deficiencies.

### **Report on Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

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

### **City of Menahga, Minnesota's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Menahga, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The City of Menahga, Minnesota'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.

**Purpose of this Report**

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

Carlson AV AP

Fergus Falls, Minnesota  
July 2, 2025

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
**December 31, 2024**

---

**SIGNIFICANT DEFICIENCIES**

**2024-001. Preparation of Financial Statements and Related Footnotes**

*Criteria:* Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with the regulatory basis of accounting, the preparer must have the necessary expertise.

*Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. City personnel do prepare periodic financial statements and other financial information for internal use that meet the needs of management and Council. However, the City does not have the internal resources to prepare full-disclosure financial statements required by the regulatory basis of accounting for external reporting. As auditors, we were requested to draft the financial statements and accompanying footnotes.

*Cause:* The City does not have the resources to compile its own financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This control deficiency is not unusual in a small city. However, it is the responsibility of management and the Council to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

*Management's Response and Actions Planned:* The City's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to the users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRET YEAR FINDINGS AND RESPONSES**  
**December 31, 2024**

---

**2024-002. Segregation of Duties**

*Criteria:* Internal controls should be in place that provide reasonable assurance that proper segregation of duties is achieved.

*Condition:* The City has a limited number of office personnel and, accordingly, does not have adequate separation of duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation. An effective internal control structure provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Cause:* The City has a limited number of office personnel and inadequate internal controls.

*Effect:* The failure to properly segregate duties increases the risk that misstatements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* It is important that the City be aware of this condition and look for opportunities to improve segregation of duties or add mitigating controls to prevent material misstatement of the financial statements.

*Management's Response and Actions Planned:* The City's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management attempts to mitigate the associated risks by doing the following:

1. Identifying areas lacking segregation of duties and where there are higher risks of fraud occurring.
2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency:
  - a. Administrative Assistant began picking up mail and processing payments in 2022. Checks are separated from check stub. The check stubs are given to Deputy Clerk for processing.
  - b. At the end of each day, Administrative Assistant counts cash and checks. In Administrative Assistant's absence, another employee separate from receiving or depositing cash and checks, performs daily cash and check counts. At no time is the staff picking up mail and separating cash receipts and checks the same person.
  - c. Accounts payable are received by Deputy Clerk. The Deputy Clerk provides a copy to Department Head(s) for coding and signature. It is then entered in the accounting system and given to City Administrator for verification and approval.

**CITY OF MENAHGA, MINNESOTA**  
**SCHEDULE OF CURRET YEAR FINDINGS AND RESPONSES**  
**December 31, 2024**

---

**2024-002. Segregation of Duties (Continued)**

- d. All checks signed by either the Deputy Clerk or City Administrator, and Mayor or Vice-Mayor.
  - e. Cameras have been installed above cash drawers.
  - f. All cash transactions are verified by two people and the customers are asked to sign for change received, if any.
  - g. During a meeting with S&P in March 2022, the City agreed to complete an internal control audit to ensure proper financial duties are being completed. In June 2022, internal control audit findings were presented to the City Council. The City immediately put the recommendations into place as outlined in a. to g. above.
3. Using the knowledge of management and the Council to review accounting records and reports.

**2024-003. Audit Adjustments**

*Criteria:* City management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including reporting of accruals and other reclassification amounts.

*Condition:* As part of the audit, we proposed material adjustments for the reporting of accruals and note disclosure preparation.

*Cause:* The City has a limited number of office personnel with financial reporting experience.

*Effect:* The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate accrual basis financial information.

*Recommendation:* We recommend City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and reclassifications and develop internal control policies to ensure proper recording of these items.

*Management's Response and Actions Planned:* The Temporary City Administrator and Temporary Deputy Clerk plan to assume full responsibility for all accrual adjustments prepared to present the financial statements on accrual basis and to eliminate the audit finding as time permits.