



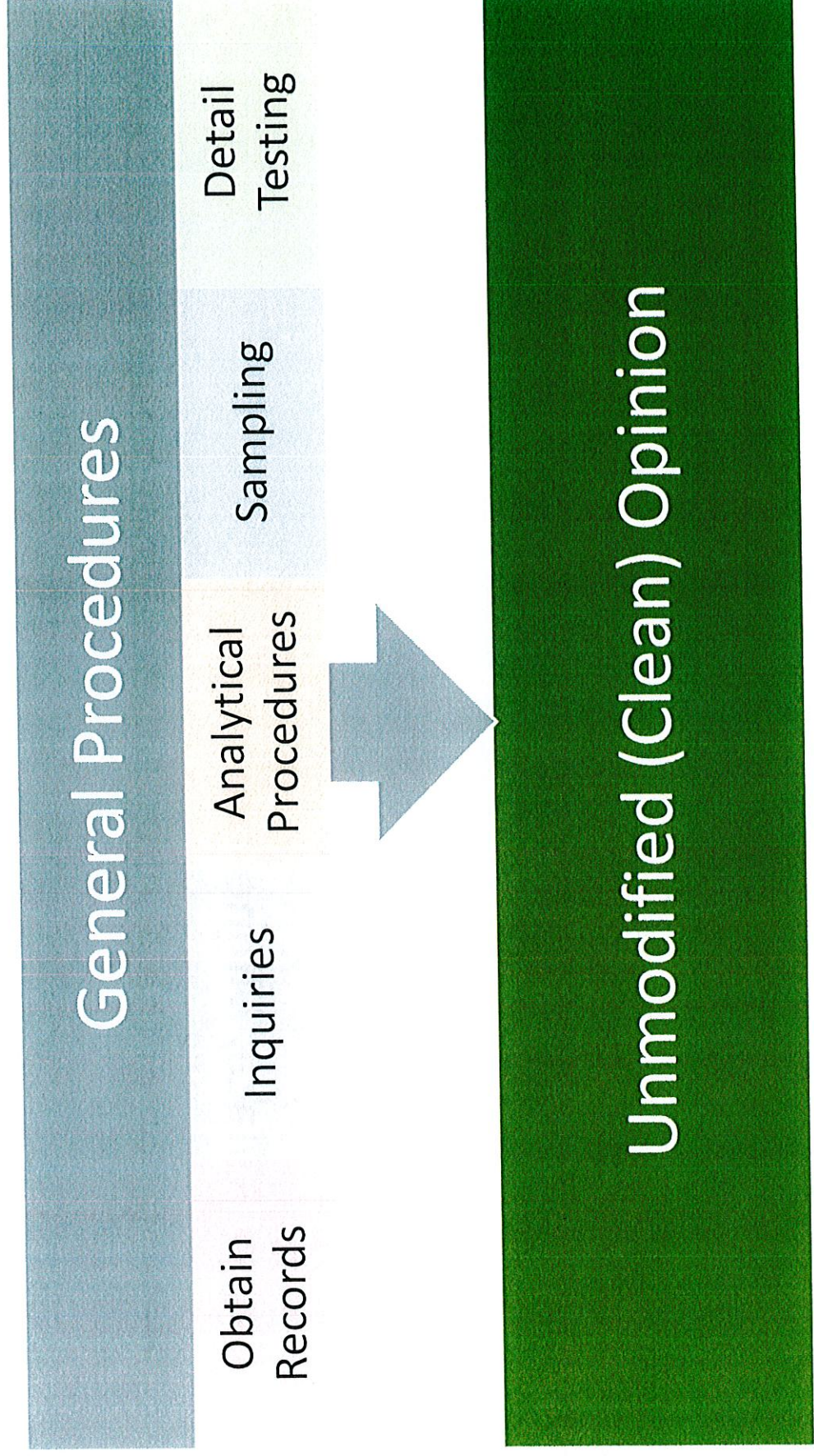
City of Milaca, Minnesota

Presentation of the Audited Financial Statements

Fiscal Year Ended December 31, 2024



Audit Process and Opinion



Detail
Testing

Sampling

Analytical
Procedures

Inquiries

Obtain
Records

Required Communications



Audit went smoothly



Positive Working Relationship with
Management



Nothing unusual noted in terms of recorded
transactions or accounting policies/treatments

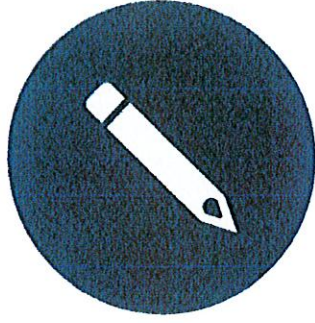


Significant estimates include the calculation of
Net Pension Asset/Liability and related balances



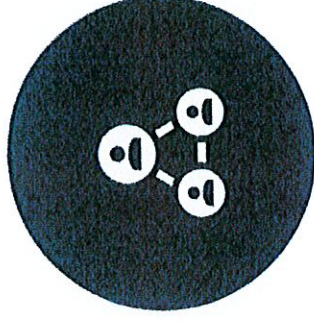
New Accounting Standard Adopted
- GASB 101, *Compensated Absences*

Internal Controls Over Financial Reporting



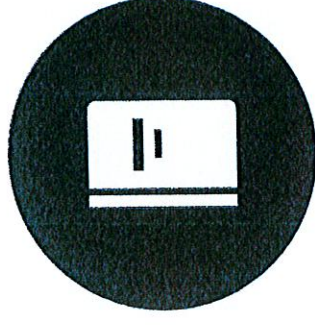
AUDIT ADJUSTMENTS

- Various adjustments recorded during our audit process



SEGREGATION OF DUTIES

- Your City has a lack of proper segregation of duties, which is very common for a City of your size



FINANCIAL STATEMENT PREPARATION

- We have prepared the financial statements on behalf of the City

Minnesota Legal Compliance

- Areas Reviewed
 - Contracting and Bidding
 - Depositories of Public Funds
 - Conflicts of Interest
 - Public Indebtedness
 - Claims and Disbursements
 - Tax Increment Financing
 - Miscellaneous Provisions

- Findings:
 - None in the current year



Single Audit (Federal Program Compliance)

Major Programs Tested

- HUD Economic Development Initiative, Community Project Funding

Opinion

- Unmodified (Clean) Opinion on the Schedule of Expenditures of Federal Awards

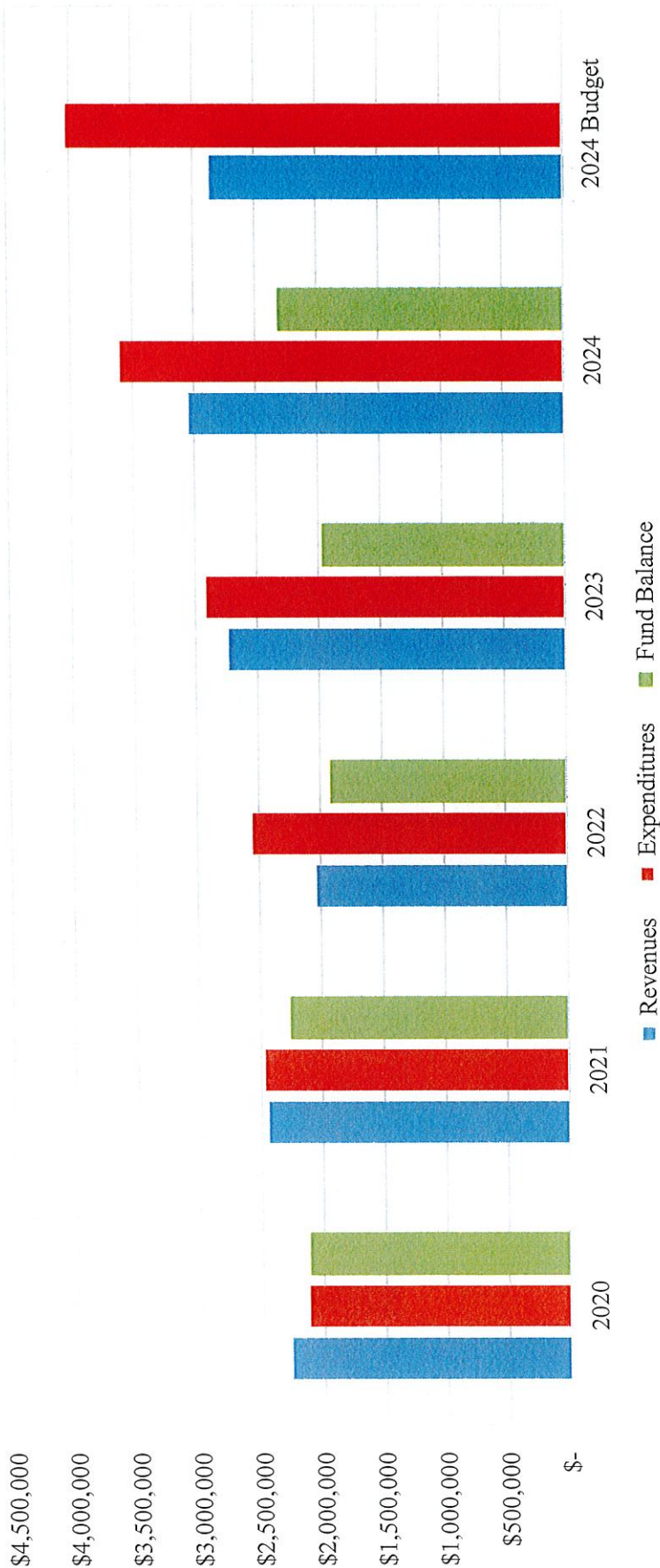
Compliance

- No Findings Identified

Internal Control Over Compliance

- No Findings Identified

General Fund - Trend Analysis & Budgetary Comparison

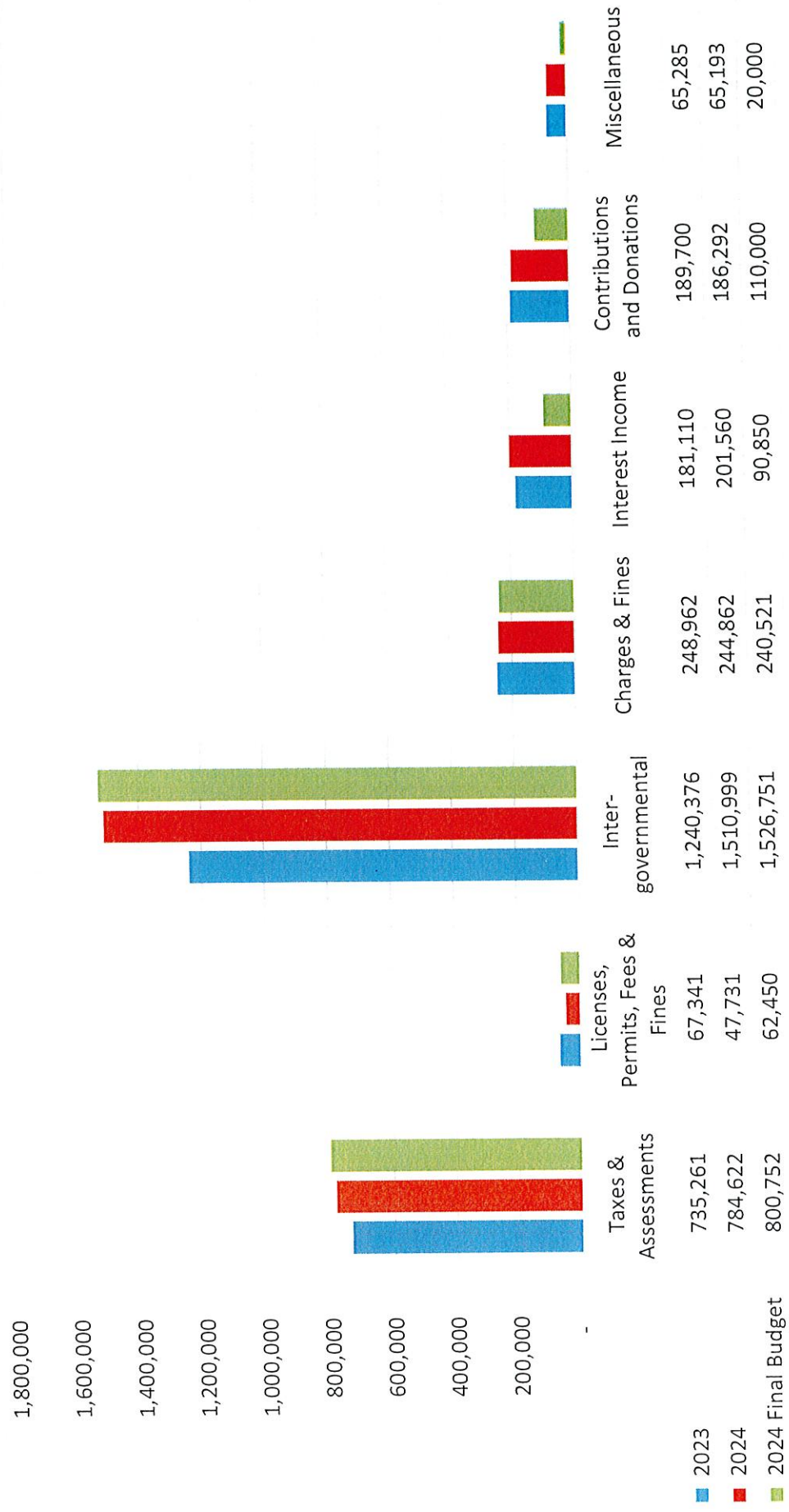


- Revenues exceeded budgeted amounts by \$189,935
- Expenditures were below budgeted amounts by \$412,766

	2023	2024	2024 Budget
Revenues	\$ 2,728,035	\$ 3,041,259	\$ 2,851,324
Expenditures	2,914,815	3,600,488	4,013,254
Other Sources (Uses)	238,000	908,739	1,138,684
Change in Fund Balance	51,220	349,510	(23,246)
Fund Balance	\$ 1,961,547	\$ 2,311,057	N/A

General Fund

Detailed Revenue Analysis

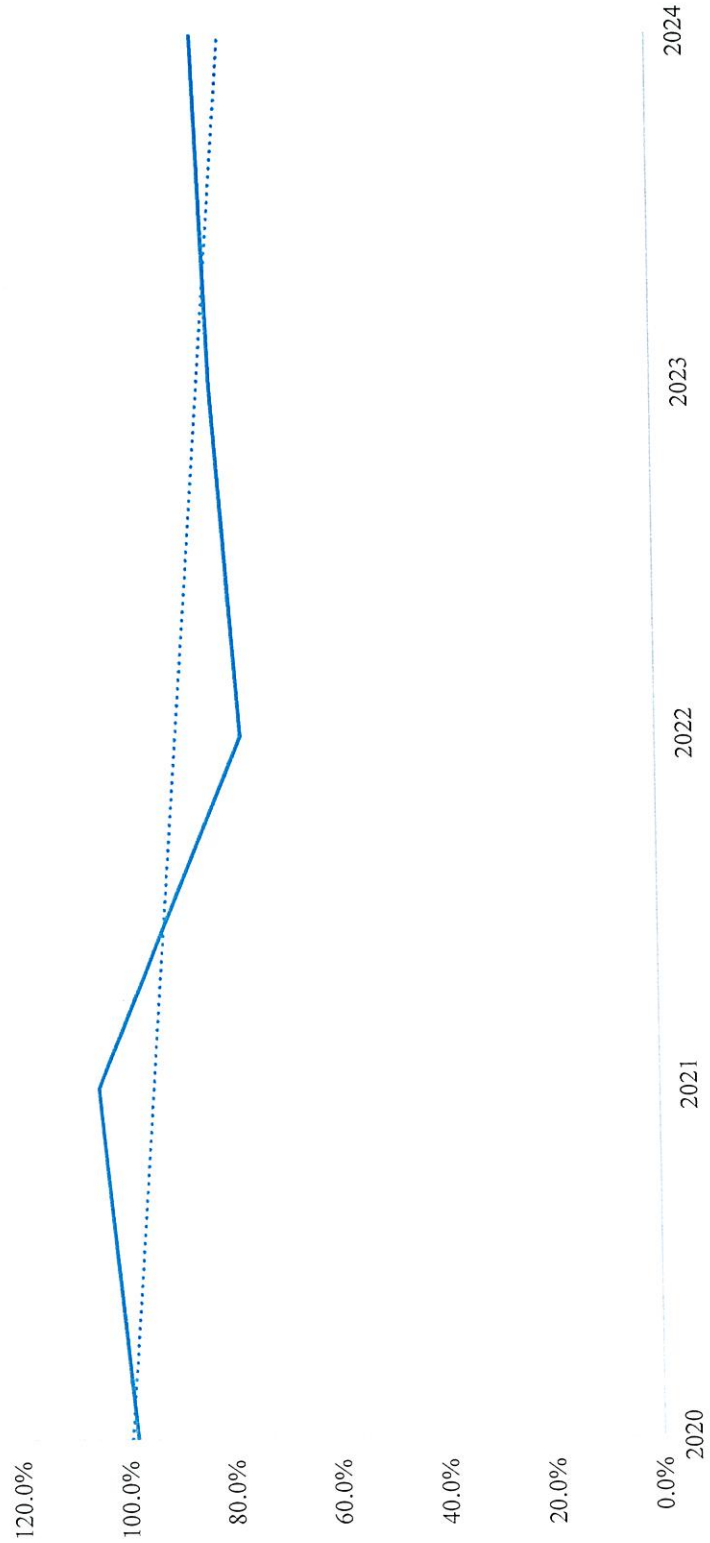


General Fund

Detailed Expenditure Analysis



Unrestricted Fund Balance as a Percentage of the Annual Budget

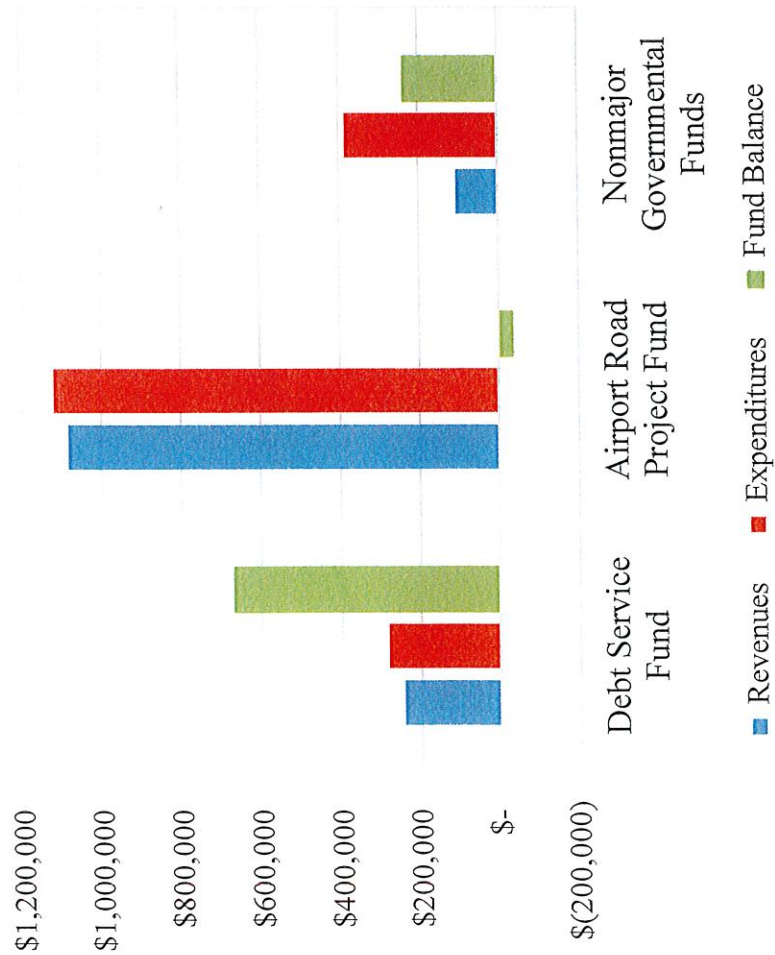


Year	Percentage
2020	98.5%
2021	105.0%
2022	77.5%
2023	82.3%
2024	85.0%

- Fund balance policy sets a target fund balance equal to approximately 5 months (41.7%) of operating expenditures

Financial Highlights

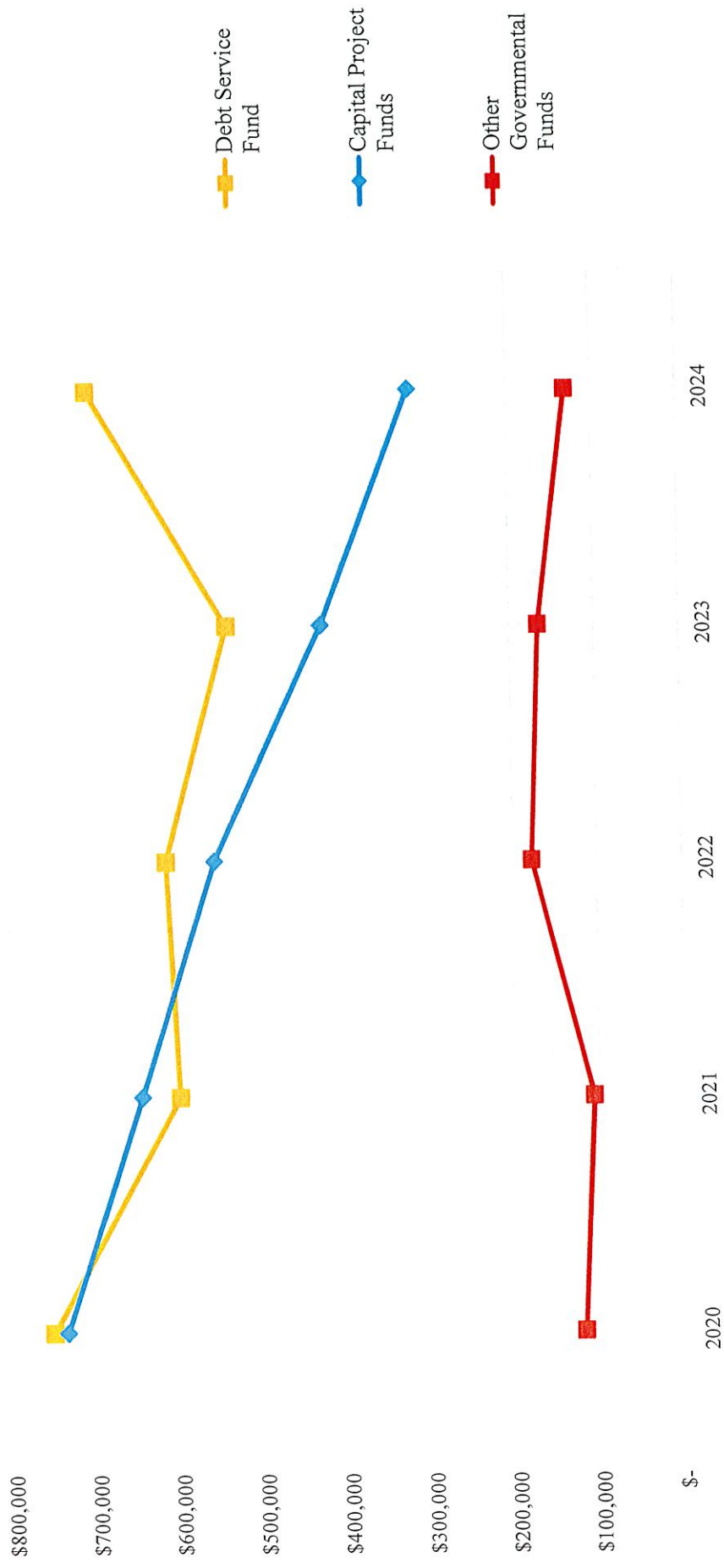
Other Governmental Funds



	Debt Service Fund	Airport Road Project Fund	Nonmajor Governmental Funds
Revenues	\$ 243,158	\$ 1,084,689	\$ 106,476
Expenditures	282,428	1,120,744	385,134
	(39,270)	(36,055)	(278,658)
Debt Issuance	-	-	137,500
Net Transfers	164,371	-	(109,739)
Change in Fund Balance	125,101	(36,055)	(250,897)
Fund Balance	\$ 666,558	\$ (36,055)	\$ 235,191

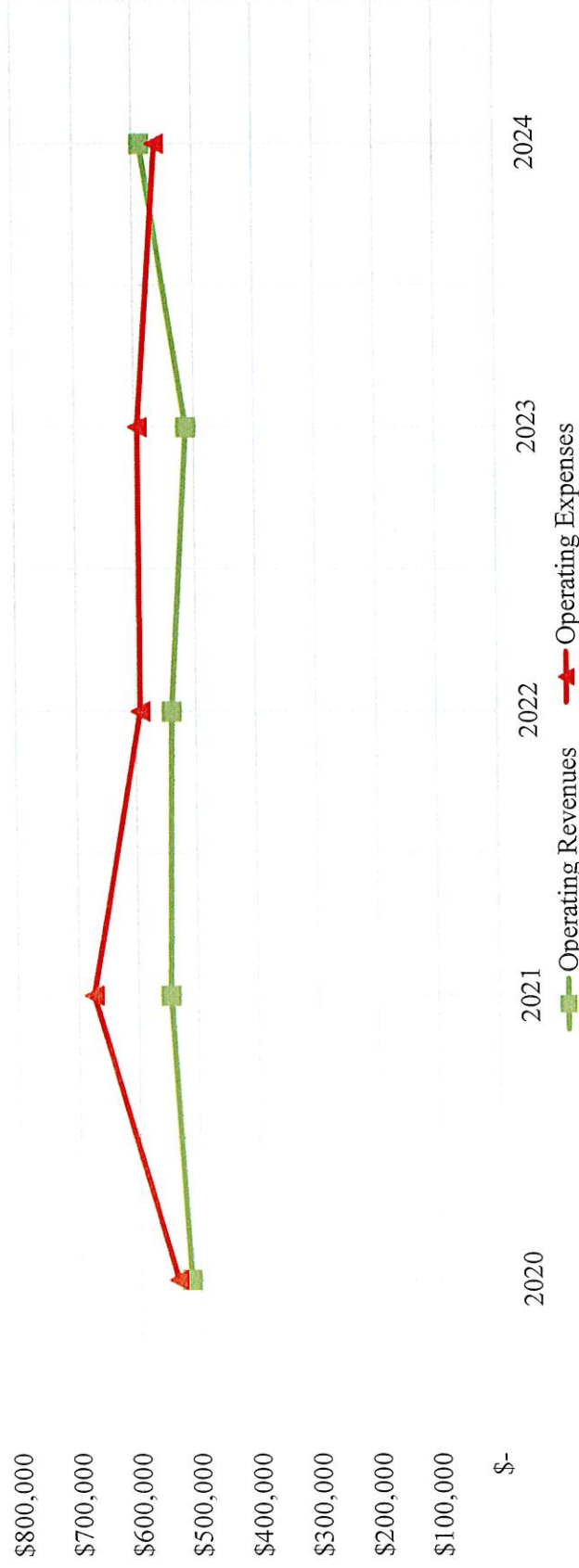
Other Governmental Funds

Cash Trend Analysis



Water Enterprise Fund

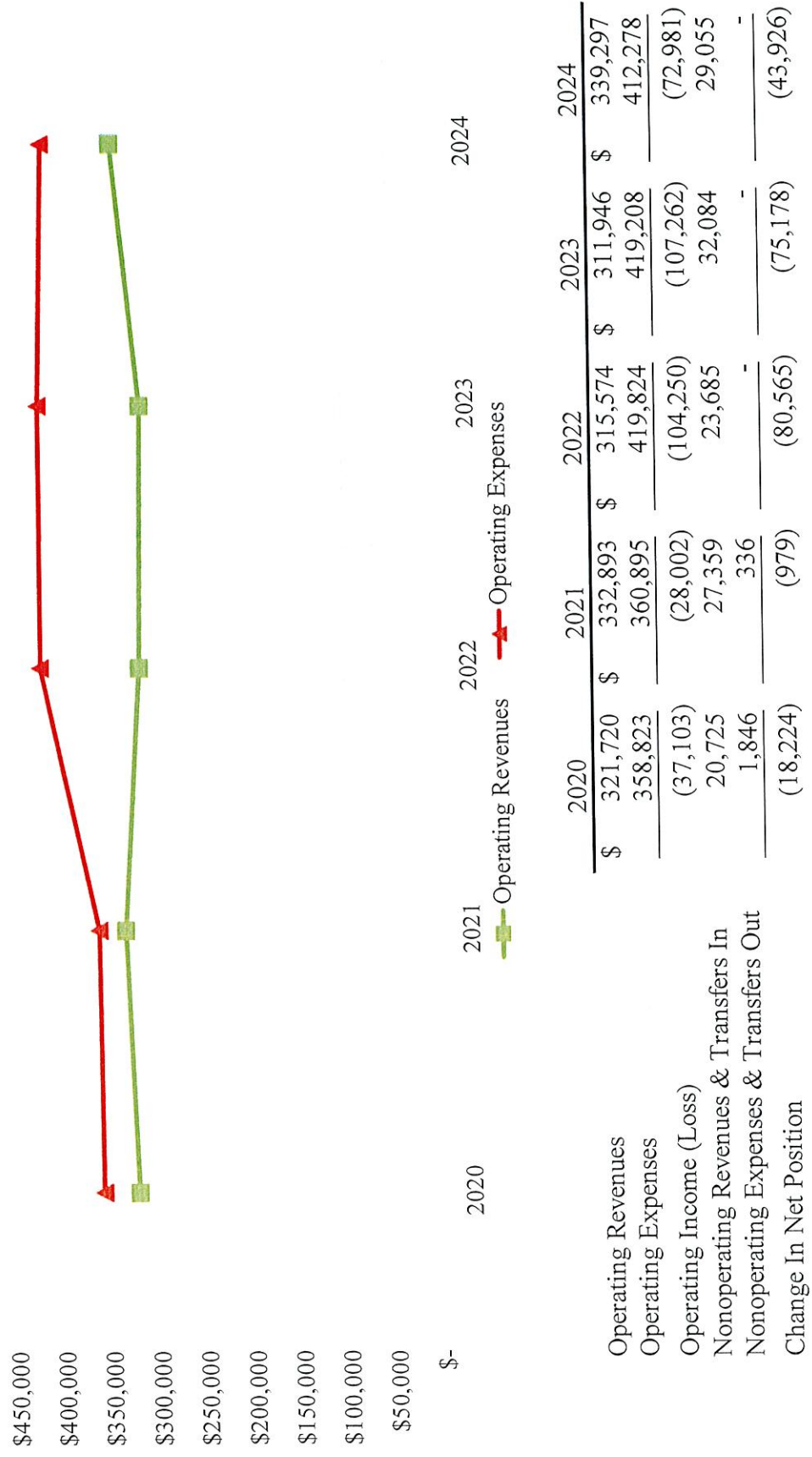
Financial Highlights



	2020	2021	2022	2023	2024
Operating Revenues	\$ 514,723	\$ 544,829	\$ 539,545	\$ 512,687	\$ 586,192
Operating Expenses	536,833	673,697	592,065	593,633	561,286
Operating Income (Loss)	(22,110)	(128,868)	(52,520)	(80,946)	24,906
Nonoperating Revenues & Transfers In	46,123	198,610	225,868	69,642	54,331
Nonoperating Expenses & Transfers Out	12,681	10,184	22,761	13,365	15,165
Change In Net Position	11,332	59,558	150,587	(24,669)	64,072

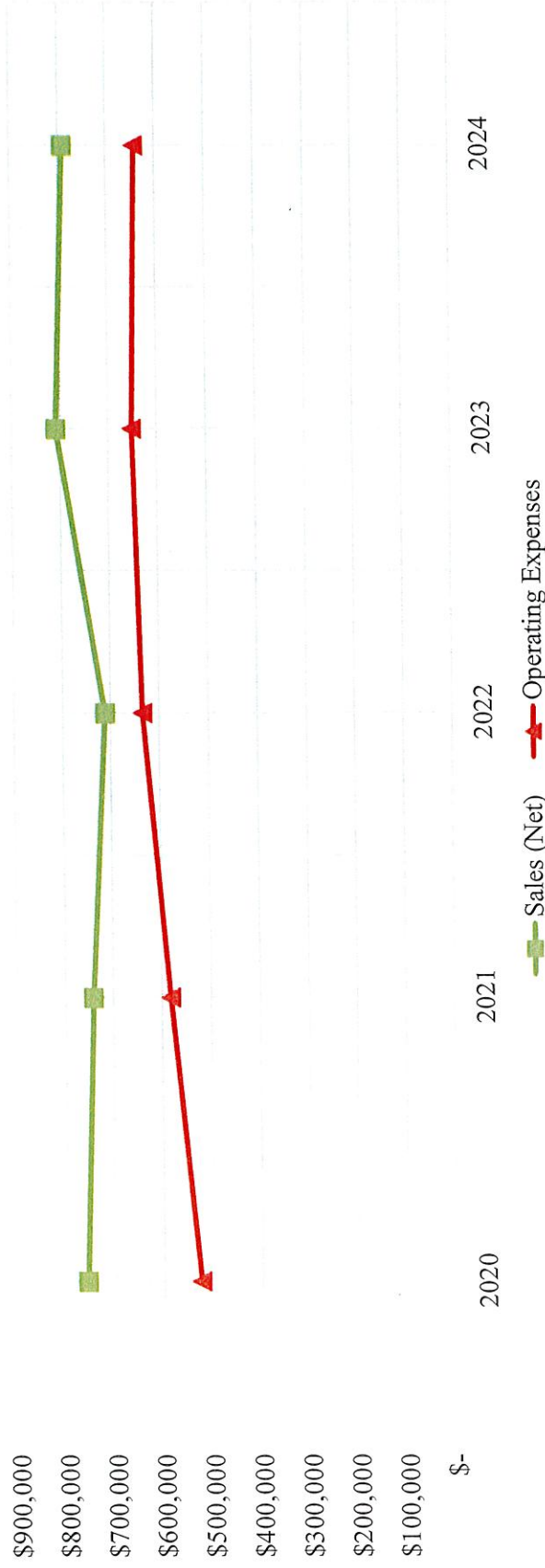
Sewer Enterprise Fund

Financial Highlights



Liquor Enterprise Fund

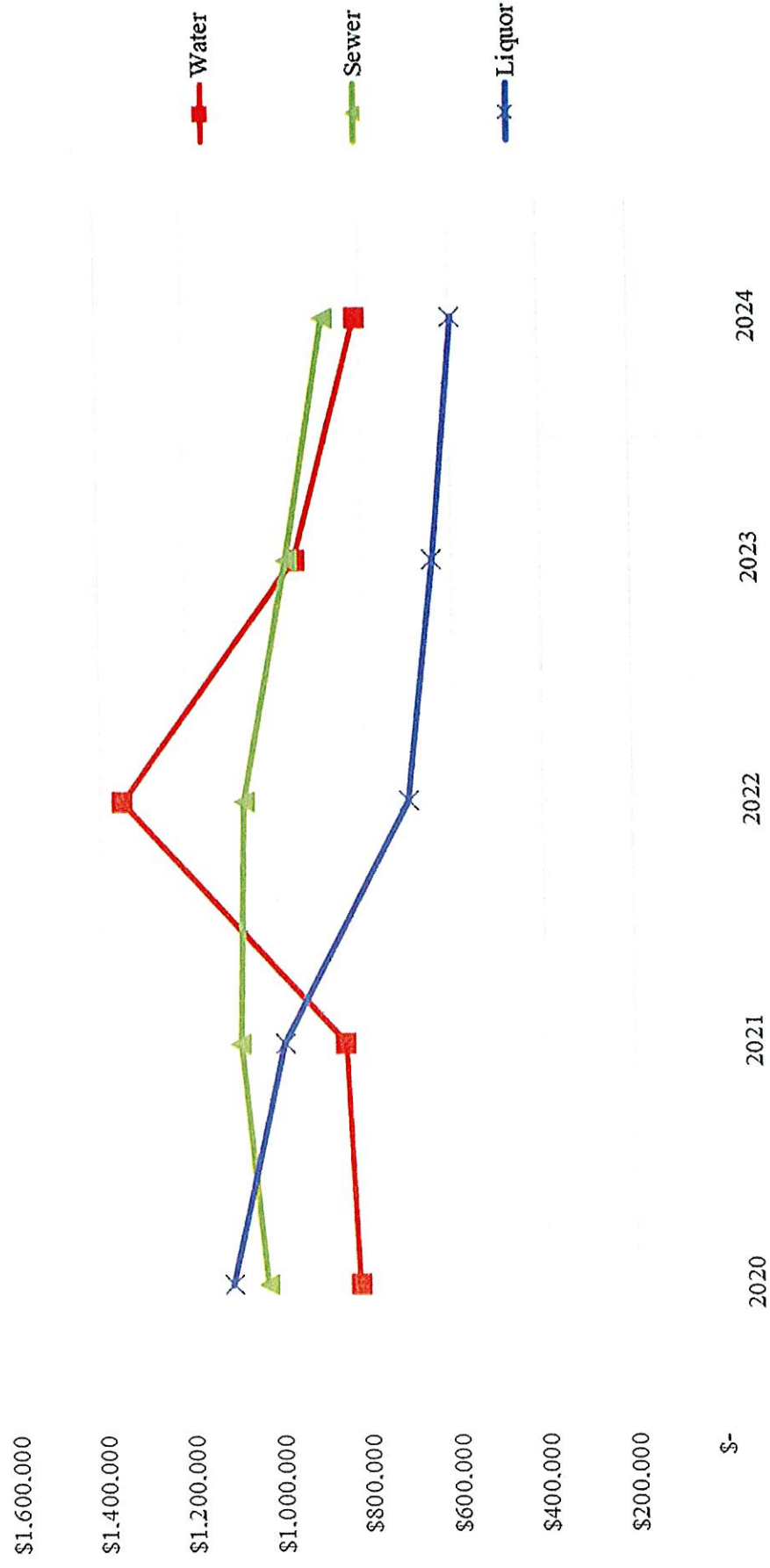
Financial Highlights



	2020	2021	2022	2023	2024
Sales (Net)	\$ 758,647	\$ 741,399	\$ 711,715	\$ 808,824	\$ 791,743
Operating Expenses	524,059	581,681	633,990	651,187	642,501
Operating Income (Loss)	234,588	159,718	77,725	157,637	149,242
Nonoperating Revenues & Transfers In	12,460	7,293	9,564	10,148	11,852
Nonoperating Expenses & Transfers Out	92,650	192,648	225,000	200,000	300,365
Change In Net Position	154,398	(25,637)	(137,711)	(32,215)	(139,271)

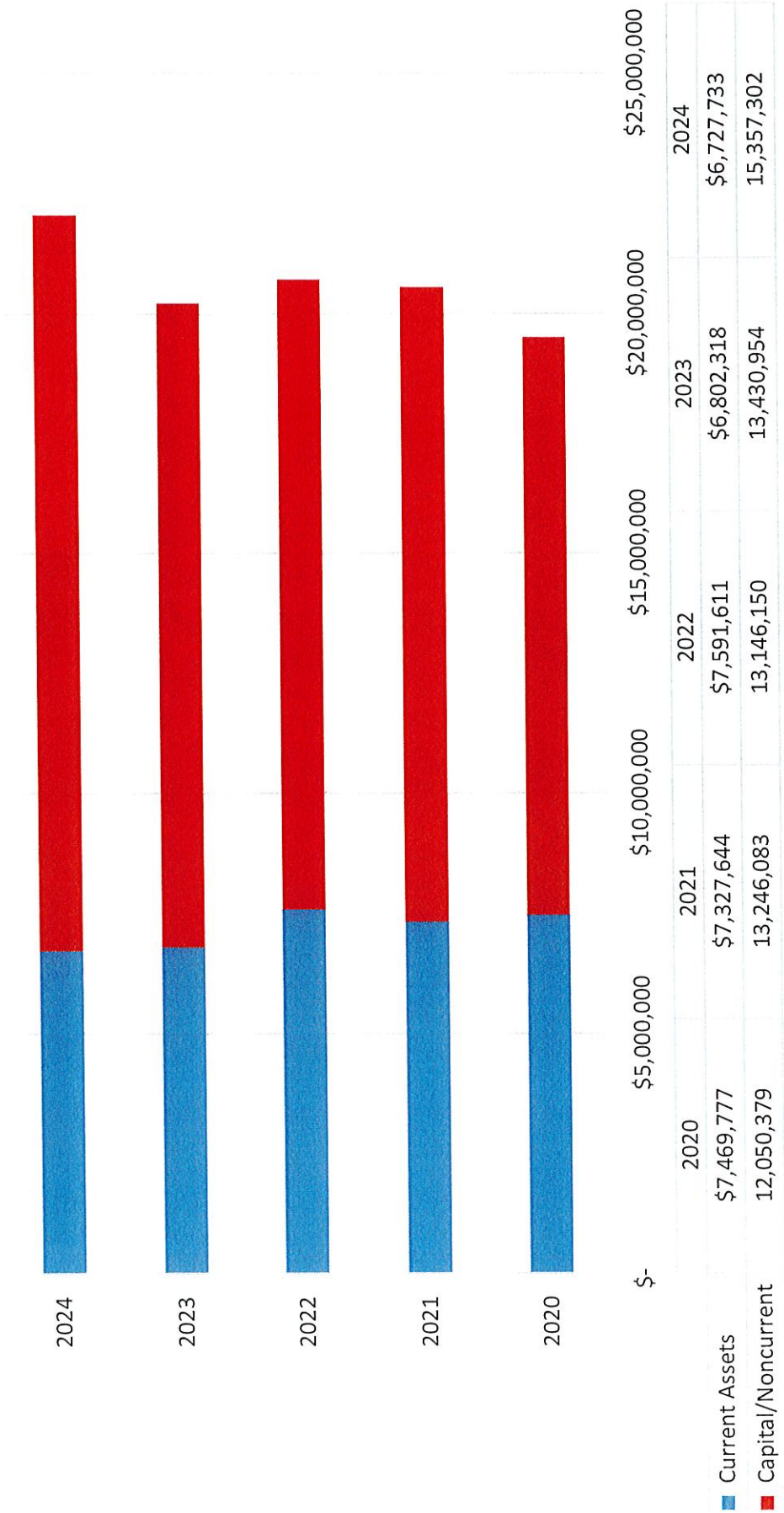
Enterprise Funds

Cash Trend Analysis



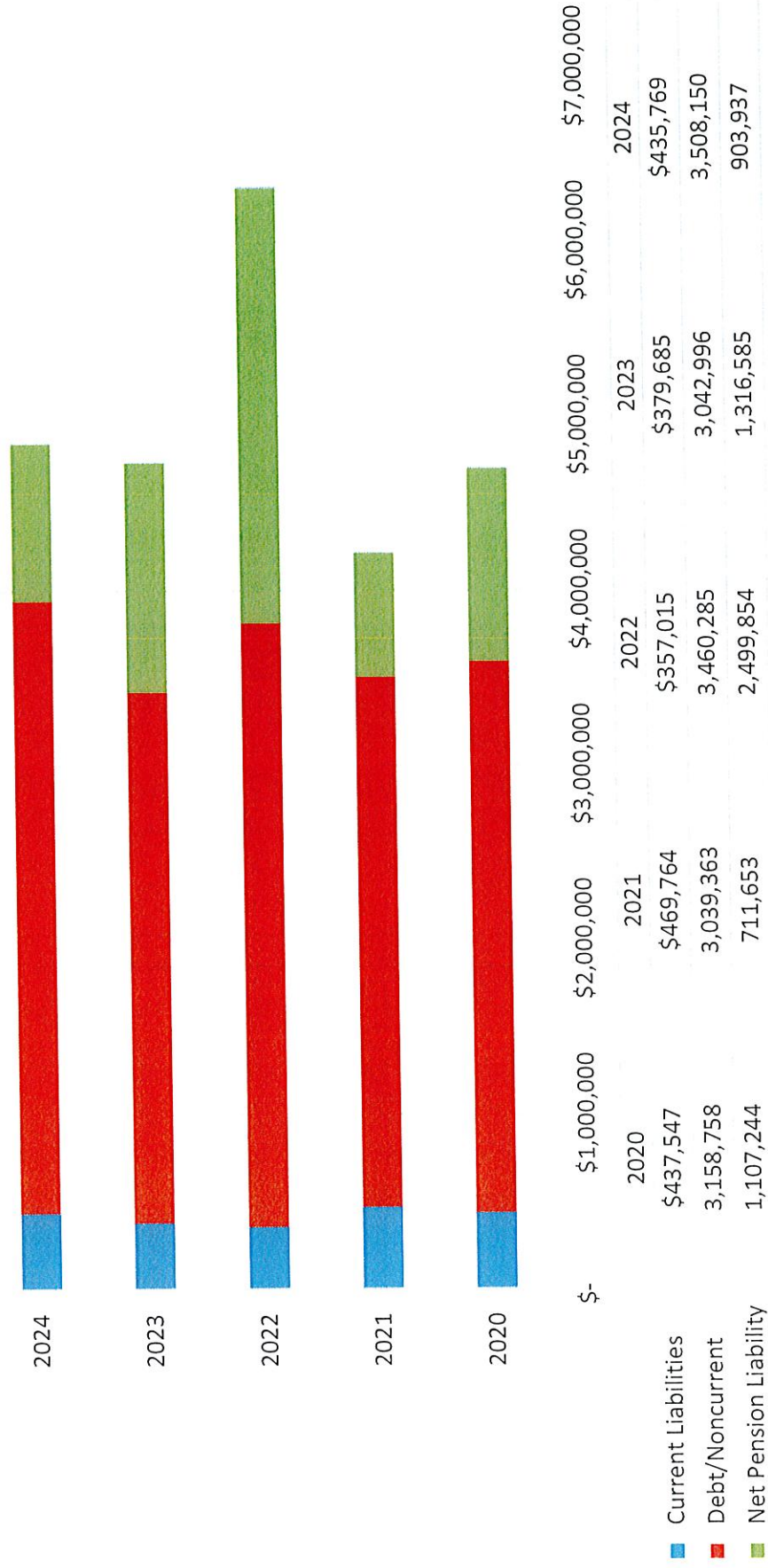
Financial Highlights

Total Government-Wide Assets



Financial Highlights

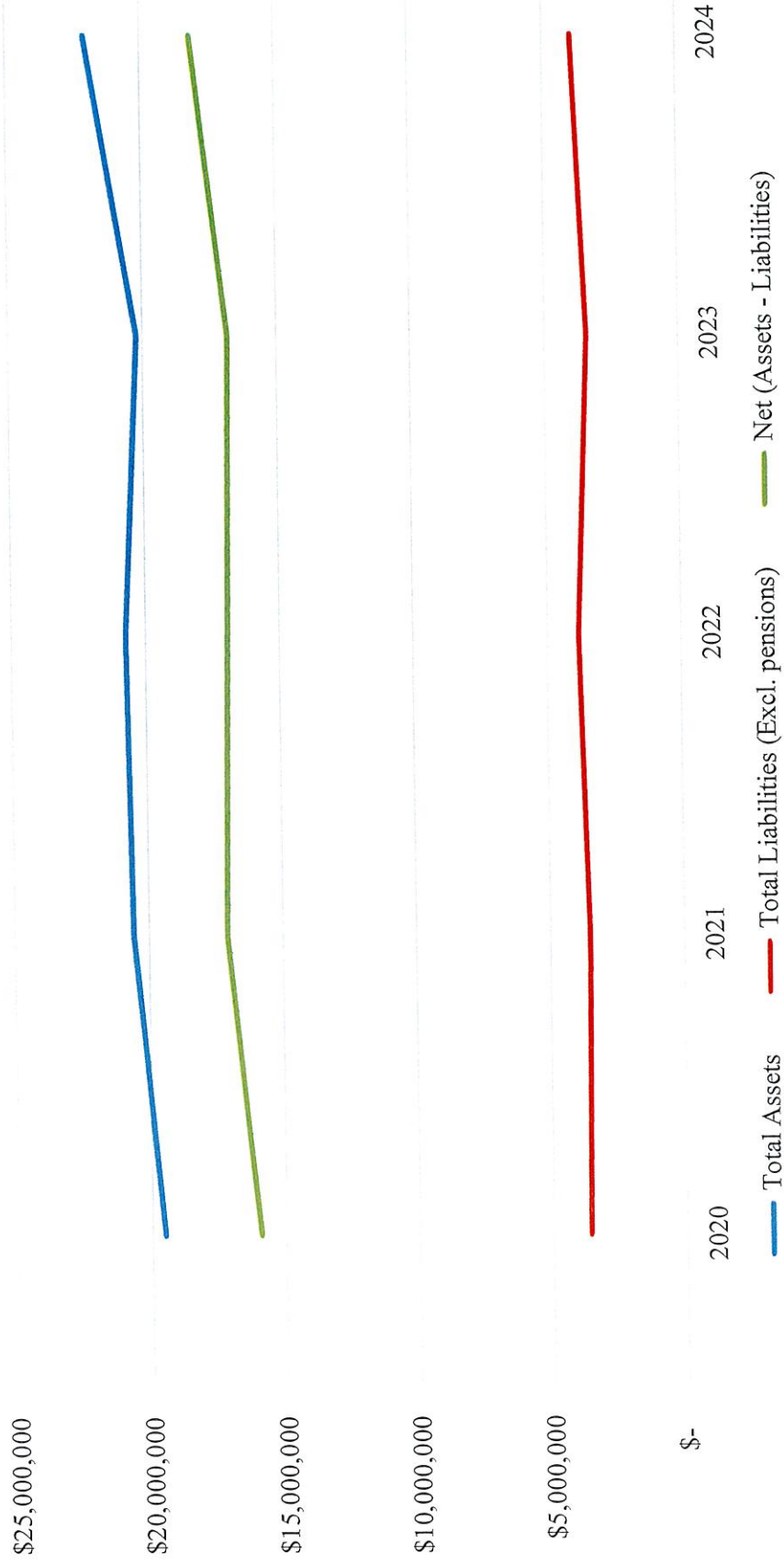
Total Government-Wide Liabilities



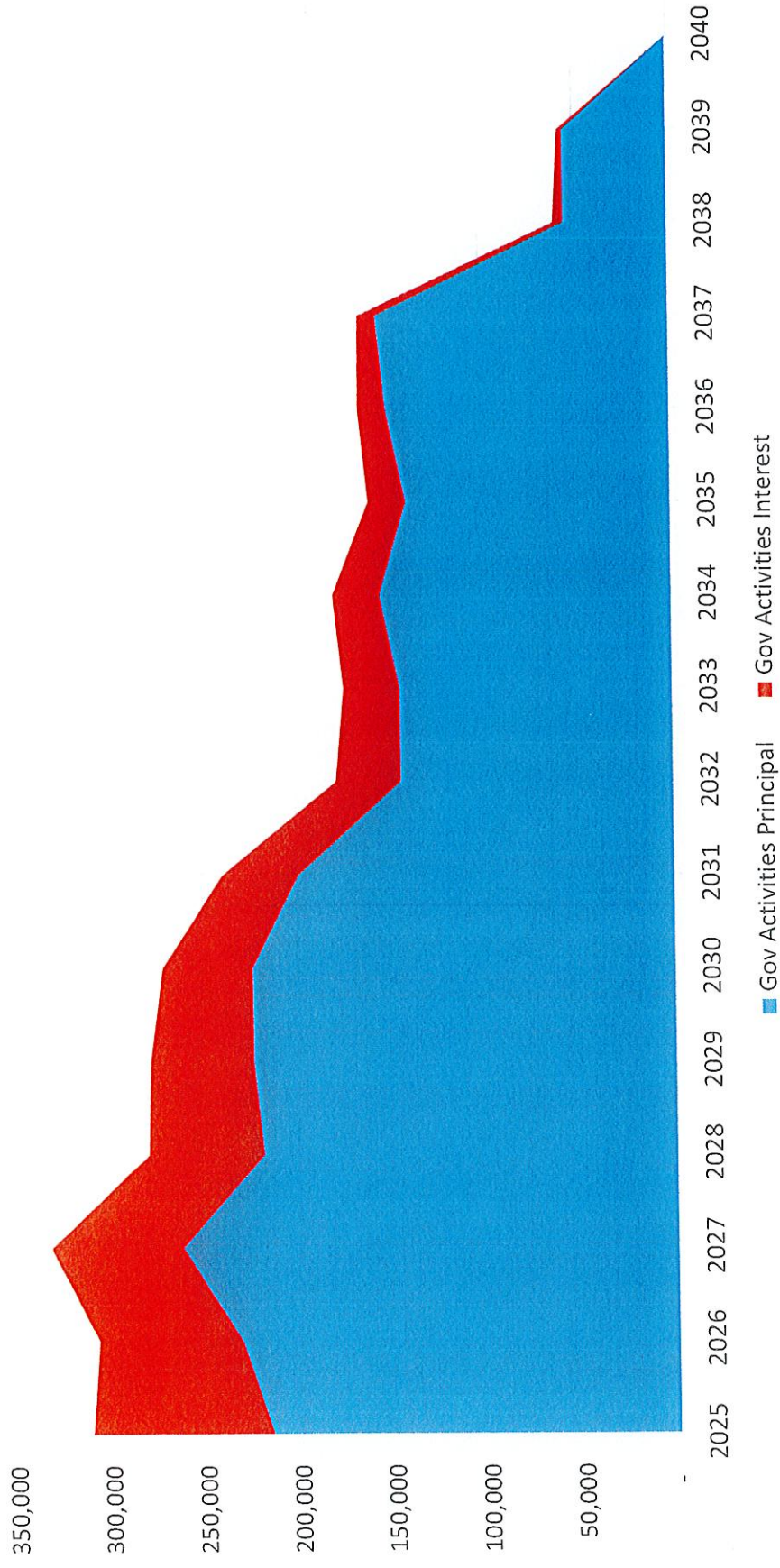
Financial Highlights

Government-Wide Assets vs. Liabilities

(Excluding Pension Balances)



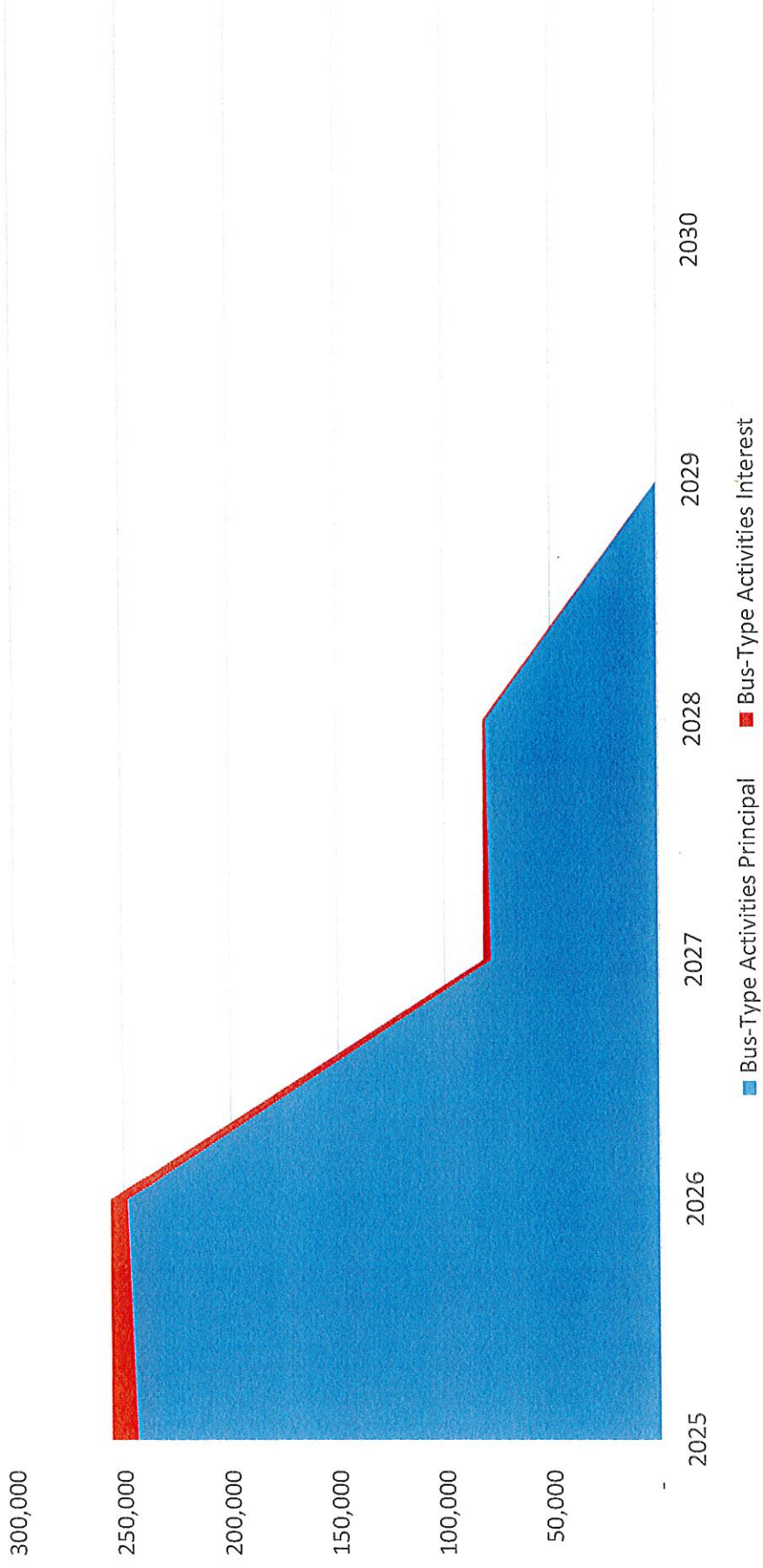
Governmental Funds Future Debt Payments



Long Term Debt
Outstanding

Governmental – Maturities ranging from 2027 – 2039

Business-Type Activities Future Debt Payments



Long Term Debt
Outstanding

Business-Type (Water Fund) – Maturities ranging from
2026 – 2028

Questions?

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Partner

rschmidt@schlennerwenner.cpa

320-251-0286

City of Milaca, Minnesota

Report to the Members of Governance

June 9, 2025

**SCHLENNER
WENNER & Co.**
CPAs

CITY OF MILACA, MINNESOTA
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Exhibit A – Representation Letter

Exhibit B – Management Letter

Members of Governance
City of Milaca, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of the City of Milaca (the City) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
June 9, 2025

CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our engagement letter dated April 7, 2025. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 7, 2025, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year.

Effective the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for employee compensated absences liabilities. The City implemented GASB Statement No. 101 and adjusted the presentation in the financial statements accordingly.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The only estimates we have deemed significant to the financial statements are estimates associated with the following balances reported at year-end:

- Net pension asset/liability and related deferred outflows/inflows of resources

CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are shown following the attached representation letter at Exhibit A.

Uncorrected misstatements are summarized within the attached representation letter at Exhibit A. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Departure From the Auditor's Standard Report

Expected Emphasis-of-Matter Paragraph

During the year ended December 31, 2024, the City adopted new accounting guidance GASB Statement 101. In light of this matter, we will include an emphasis-of-matter paragraph in the auditor's report. Below is the paragraph included in the auditor's report:

Emphasis of Matter

As discussed in Note 1.H. to the financial statements, in 2024, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For Schlenner Wenner & Co. to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee (when applicable), and Schlenner Wenner & Co. each play an important role.

CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. Schlenner Wenner & Co. is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

The City's Responsibilities

- Timely inform Schlenner Wenner & Co., before the effective date of transactions or other changes, of the following:
 - New affiliates, members of governance, or person in financial reporting and compliance oversight roles.
 - Changes in the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, members of governance, or persons in a decision-making capacity, engaging in business relationships with Schlenner Wenner & Co.
- Not entering into arrangements of non-audit services resulting in Schlenner Wenner & Co. being involved in making management decisions on behalf of the City.
- Not entering into relationships resulting in Schlenner Wenner & Co., Schlenner Wenner & Co. covered persons or their close family members, temporarily or permanently acting as a member of governance or person in an accounting, financial reporting or compliance oversight role at the City.

Internal Control and Compliance Matters

We have separately communicated matters related to internal control and compliance over financial reporting identified during our audit of the basic financial statements and major awards, as required by *Government Auditing Standards* and when applicable, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance). This communication is included within the compliance section of the City's financial report for the year ended December 31, 2024.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the City of Milaca, including the representation letter provided to us by management, are attached as Exhibits A and B.

EXHIBIT A

REPRESENTATION LETTER

CITY OF MILACA, MINNESOTA

June 9, 2025

Schlenner Wenner & Co.
St. Cloud, MN 56302

This representation letter is provided in connection with your audit of the basic financial statements of the City of Milaca, Minnesota (the City), as of and for the year ended December 31, 2024 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 9, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 7, 2025, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the City include:
 - a. Those with component units for which the City is accountable.
 - b. Those with other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.
 - c. Those with joint ventures in which the City has an interest.
 - d. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

7. The City followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
8. If applicable, the financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
12. If applicable, risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
13. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
14. If applicable, capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated or amortized.
15. If applicable, the City has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
16. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
17. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
18. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
19. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
20. The City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
21. If applicable, the City disclosed the names of entities with which it has a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77, *Tax Abatement Disclosures*.
22. If applicable, the City disclosed tax abatements entered into by other governments that affect its revenues, including the names of the governments that entered into the agreements, the specified taxes being abated, and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.

23. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
24. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we have made appropriate arrangements for the completion of an audit under the requirements of the Single Audit Act.
25. We believe the implementation of the GASB Statements listed below is appropriate:
- GASB Statement No. 100, *Accounting Changes and Error Corrections* – The standard prescribes and clarifies the accounting and financial reporting for changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity.
 - GASB Statement No. 101, *Compensated Absences* – This standard changes previous accounting methodology and modifies the recognition of compensated absence liabilities on the Statement of Net Position. Accordingly, the City has adjusted its presentation of compensated absence liabilities to align with the requirements of this standard.
26. We have informed you of all uncorrected misstatements.

As of and for the year ended December 31, 2024, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the applicable opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

General Fund

Description	Effect — Overstated (Understated)				
	Assets	Liabilities	Fund Balance / Net Position	Revenues	Expenses / Expenditures
<i>New, Current Year Misstatements:</i>					
Projected understatement of Accounts Payable at year-end, based on sampling procedures.	\$ -	\$ (10,320)	\$ 10,320	\$ -	\$ (10,320)

Governmental Activities

Description	Effect — Overstated (Understated)				
	Assets	Liabilities	Net Position	Revenues	Expenses
<i>Reversed Opening Equity Misstatements:</i>					
Understatement of current year expenses due to capitalizing prior year expenses in the current year.	\$ -	\$ -	\$ -	\$ -	\$ (38,876)

27. We have requested an unsecured electronic copy of the auditor's report and basic financial statements and agree that the auditor's report and basic financial statements will not be modified in any manner.

Information Provided

28. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- d. Minutes of the meetings of the City Council, or summaries of actions of recent meetings for which minutes have not yet been prepared.

29. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

30. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

31. We have no knowledge of allegations of fraud or suspected fraud affecting the City's basic financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the basic financial statements.

32. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.

33. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

34. We are not aware of any pending or threatened litigation, claims or assessments; unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50, *Claims and Judgements*; or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements. Neither we nor the City or other acting on behalf of the City have consulted a lawyer concerning litigation, claims, assessments or other matters affecting the City.

Unasserted claims or assessments have been properly disclosed in accordance with GASB Codification section C50. There are no other unasserted claims or assessments which are probable of assertion.

35. We have disclosed to you the identity of all of the City's related parties and all the related-party relationships and transactions of which we are aware.

36. We have informed you of all deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.

37. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

38. It is our responsibility to inform you of all current and potential affiliates of the City as defined by the “State and Local Government Client Affiliates” interpretation. Financial interests in, and other relationships with, affiliates of the City may create threats to independence. We have:
- a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.
 - b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving changes in the determination of the materiality of an entity to the City’s financial statements as a whole, the level of influence the City has over an entity’s financial reporting process, or the level of control or influence of control or influence the City or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the City and Schlenner Wenner & Co. to identify and eliminate potential impermissible services and relationships between Schlenner Wenner & Co. or its associated entities and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any non-audit services that the City or any of our affiliates has engaged Schlenner Wenner & Co. or any of its associated entities to perform.
39. If applicable, we agree with the findings of the specialists in evaluating the Minnesota Public Employees Retirement Association net pension liabilities and related balances, as well as the fire relief net pension asset balances, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
40. If applicable, we believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated Plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan’s actuary.
41. If applicable, we believe that the information obtained from the audited financial statements of and other participant information provided by the Minnesota Public Employees Retirement Association is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the Plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan or its auditor.
42. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

43. With respect to supplementary information presented in relation to the basic financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

- d. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation.
 - e. When supplementary information is not presented with the audited basic financial statements, we will make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
44. With respect to the Budgetary Comparison Schedule, Schedule of City's Proportionate Share of Net Pension Liability, Schedule of City Pension Contributions, and Schedule of Changes in Net Pension Liability (Asset) presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation.
45. We understand, as part of your audit, you have prepared a draft of our financial statements and related notes from the trial balance and other information we provided to you. We have reviewed and approve those financial statements and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements and have performed our responsibility to prevent and detect errors. Further, we have designated a qualified management level individual to be responsible and accountable for overseeing your services.
46. We are in agreement with the proposed adjusting journal entries you have recommended (as shown in Exhibit A-1 and A-2), and they have been recorded in the City's accounting records.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

- 47. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 48. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
- 49. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- 50. Is responsible 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.
- 51. Acknowledges its responsibility for the design, implementation, and maintenance of controls to prevent and detect fraud.

52. If applicable, has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
53. Has a process to track the status of audit findings and recommendations.
54. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.
55. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
56. If applicable, has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
57. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

58. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
59. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
60. Management is responsible for the design, implementation, and maintenance, and has designed, implemented and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.
61. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.
62. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
63. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
64. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

65. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.
66. Management believes that the auditee has complied with the direct and material compliance requirements.
67. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
68. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
69. Management is aware of no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
70. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
71. If applicable, management is responsible for taking corrective action on audit findings of the compliance audit and has developed a corrective action plan that meets the requirements of the Uniform Guidance.
72. If applicable, management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
73. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
74. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
75. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the entity's system of internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
76. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
77. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
78. If applicable, management has monitored subrecipients, as necessary, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

79. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
80. If applicable, management has considered the results of subrecipient monitoring and audits and has made any necessary adjustments to the auditee's own books and records.
81. Management has charged costs to federal awards in accordance with applicable cost principles.
82. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
83. The reporting package does not contain protected personally identifiable information.
84. Management has accurately completed the appropriate sections of the data collection form.
85. If applicable, management has disclosed all contracts or other agreements with service organizations.
86. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Tammy Pfaff

Tammy Pfaff, City Manager
City of Milaca

Elizabeth Nealley

Elizabeth Nealley, City Treasurer
City of Milaca

EXHIBIT A-1

ADJUSTING JOURNAL ENTRIES

City of Milaca

Year End: December 31, 2024

Journal Entries: Adjusting

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	12/31/2024	Unreserved Fund Balance	101-25300 GF01			13,183.00			
1	12/31/2024	Motor Vehicles	101-42110-550 GF01				13,183.00		
		To correct opening equity so that it matched the prior year, and to remove the expense for a purchase that has not yet occurred.							Factual
2	12/31/2024	Fixed Asset-Equip/Machinery	602-16400 ENT01	5515		471,014.00			
2	12/31/2024	Fixed Asset-Const in Progress	602-16500 ENT01	5515		28,905.00			
2	12/31/2024	Fixed Asset-Const in Progress	602-16500 ENT01	5515			471,014.00		
2	12/31/2024	Equipment Parts/Repairs	602-49400-221 ENT01	5515			1,783.00		
2	12/31/2024	EDP, Software and Design	602-49400-309 ENT01	5515			5,410.00		
2	12/31/2024	Improv Other Than Bldgs	602-49400-530 ENT01	5515			2,550.00		
2	12/31/2024	Other Equipment	602-49400-580 ENT01	5515			19,162.00		
		To record current year CIP activity.							Recurring Factual
3	12/31/2024	Deferred Outflows	602-17500 ENT01	6354A			14,923.00		
3	12/31/2024	Deferred Inflows	602-22900 ENT01	6354A			11,981.00		
3	12/31/2024	Net Pension Liability	602-24000 ENT01	6354A		37,246.00			
3	12/31/2024	State PERA Contribution	602-36201 ENT01	6354A			3,251.00		
3	12/31/2024	Deferred Outflows	603-17500 ENT02	6354A			15,168.00		
3	12/31/2024	Deferred Inflows	603-22900 ENT02	6354A			12,312.00		
3	12/31/2024	Net Pension Liability	603-24000 ENT02	6354A		37,766.00			
3	12/31/2024	State PERA Contribution	603-36201 ENT02	6354A			3,319.00		
3	12/31/2024	Deferred Outflows	609-17500 ENT03	6354A			29,831.00		
3	12/31/2024	Deferred Inflows	609-22900 ENT03	6354A			23,348.00		
3	12/31/2024	Net Pension Liability	609-24000 ENT03	6354A		77,006.00			
3	12/31/2024	State PERA Contribution	609-36201 ENT03	6354A			6,528.00		
3	12/31/2024	Deferred Outflows	619-17500 AF01	6354A			12,159.00		
3	12/31/2024	Deferred Inflows	619-22900 AF01	6354A			14,474.00		
3	12/31/2024	Net Pension Liability	619-24000 AF01	6354A		27,501.00			
3	12/31/2024	State PERA Contribution	619-36201 AF01	6354A			3,169.00		
3	12/31/2024	Change in Pension	602-49400-800 ENT01	6354A			7,091.00		
3	12/31/2024	Change in Pension	603-49450-800 ENT02	6354A			6,968.00		
3	12/31/2024	Change in Pension	609-49750-800 ENT03	6354A			17,299.00		
3	12/31/2024	Change in Pension	619-49900-800 AF01	6354A		2,302.00			
		To record current year pension activity and adjust year-end balances based on PERA reports.							Recurring Factual
4	12/31/2024	Fixed Asset-Accum Depreciation	602-16410 ENT01	5513			23,551.00		
4	12/31/2024	Fixed Asset-Accum Depreciation	603-16410 ENT02	5513			652.00		
4	12/31/2024	Fixed Asset-Accum Depreciation	609-16410 ENT03	5513					
4	12/31/2024	Depreciation	602-49400-405 ENT01	5513		23,551.00			
4	12/31/2024	Depreciation	603-49450-405 ENT02	5513		652.00			
4	12/31/2024	Depreciation	609-49750-405 ENT03	5513					
		To adjust depreciation for assets added during fieldwork							Recurring Factual
5	12/31/2024	Fire State Aid	101-33408 GF01	6354F			73,950.00		
5	12/31/2024	Other Miscellaneous	101-42280-437 GF01	6354F		73,950.00			
		To gross up the current year flow-through funding that the State contributes to the PERA SVF plan on behalf of the City.							Recurring Factual
6	12/31/2024	Interest Receivable on Invest	101-10450 GF01	5200 LEAD		2,002.00			
6	12/31/2024	Interest Earnings	101-36210 GF01	5200 LEAD			2,002.00		
		To adjust interest receivable on investment per review of RBC Bank Statement							Recurring Factual
7	12/31/2024	Wine Inventory	609-14200 ENT03				1,014.00		
7	12/31/2024	Liquor Inventory	609-14201 ENT03				13,950.00		
7	12/31/2024	Beer Inventory	609-14202 ENT03				9,753.00		
7	12/31/2024	Mix/NA Inventory	609-14203 ENT03				1,064.00		
7	12/31/2024	Cigarette Inventory	609-14204 ENT03				2,799.00		
7	12/31/2024	Misc. Inventory	609-14205 ENT03			524.00			

City of Milaca

Year End: December 31, 2024

Journal Entries: Adjusting

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
7	12/31/2024	THC Inventory	609-14206 ENT03			18,775.00			
7	12/31/2024	Wine Cost of Goods Sold	609-37710 ENT03			1,014.00			
7	12/31/2024	Liquor Cost of Goods Sold	609-37711 ENT03			13,950.00			
7	12/31/2024	Beer Cost of Goods Sold	609-37712 ENT03			9,753.00			
7	12/31/2024	Mix Cost of Goods Sold	609-37715 ENT03			1,064.00			
7	12/31/2024	Cigarette Cost of Goods Sold	609-37716 ENT03			2,799.00			
7	12/31/2024	Misc. Cost of Goods Sold	609-37717 ENT03				524.00		
7	12/31/2024	THC Cost of Goods Sold	609-37718 ENT03				18,775.00		
		To adjust inventory balances per the 1/2/2025 inventory list.						Recurring	Factual
8	12/31/2024	Fund Cash	101-10000 GF01	7013		172.00			
8	12/31/2024	Taxes Receivable - Current	101-10701 GF01	7013		137.00			
8	12/31/2024	Current Ad Valorem Taxes	101-31010 GF01	7013		8,909.00			
8	12/31/2024	Current Ad Valorem Taxes	101-31010 GF01	7013			9,376.00		
8	12/31/2024	Delinquent Ad Valorem Taxes	101-31020 GF01	7013		1,092.00			
8	12/31/2024	Delinquent Ad Valorem Taxes	101-31020 GF01	7013			934.00		
8	12/31/2024	Fund Cash	303-10000 DSF01I	7013		856.00			
8	12/31/2024	Taxes Receivable - Current	303-10701 DSF01I	7013			141.00		
8	12/31/2024	Current Ad Valorem Taxes	303-31010 DSF01I	7013		570.00			
8	12/31/2024	Current Ad Valorem Taxes	303-31010 DSF01I	7013			1,285.00		
8	12/31/2024	Fund Cash	350-10000 DSF01J	7013		998.00			
8	12/31/2024	Taxes Receivable - Current	350-10701 DSF01J	7013		339.00			
8	12/31/2024	General Property Taxes	350-31010 DSF01J	7013		220.00			
8	12/31/2024	General Property Taxes	350-31010 DSF01J	7013			1,557.00		
8	12/31/2024	Fund Cash	383-10000 DSF01B	7013			2,048.00		
8	12/31/2024	Taxes Receivable - Current	383-10701 DSF01B	7013			436.00		
8	12/31/2024	Current Ad Valorem Taxes	383-31010 DSF01B	7013		1,226.00			
8	12/31/2024	Current Ad Valorem Taxes	383-31010 DSF01B	7013		1,258.00			
8	12/31/2024	Fund Cash	386-10000 DSF01E	7013			209.00		
8	12/31/2024	Taxes Receivable - Current	386-10701 DSF01E	7013			123.00		
8	12/31/2024	Current Ad Valorem Taxes	386-31010 DSF01E	7013		609.00			
8	12/31/2024	Current Ad Valorem Taxes	386-31010 DSF01E	7013			277.00		
8	12/31/2024	Fund Cash	388-10000 DSF01G	7013		231.00			
8	12/31/2024	Taxes Receivable - Current	388-10701 DSF01G	7013			78.00		
8	12/31/2024	Current Ad Valorem Taxes	388-31010 DSF01G	7013		697.00			
8	12/31/2024	Current Ad Valorem Taxes	388-31010 DSF01G	7013			850.00		
		To reverse FY23 tax receivable (per client coding in GL) and to book current year receivable per review of the January 2025 remittance report						Recurring	Factual
9	12/31/2024	Accounts Payable	404-20200 DSF02	7013		20,225.00			
9	12/31/2024	Accounts Payable	404-20200 DSF02	7013			4,343.00		
9	12/31/2024	Legal Notices Publishing	404-49100-351 DSF02	7013			5.00		
9	12/31/2024	Developer s 90%	404-49100-439 DSF02	7013			20,220.00		
9	12/31/2024	Developer s 90%	404-49100-439 DSF02	7013		4,343.00			
		To remove PY TIF payable, and record CY TIF payable.						Recurring	Factual
10	12/31/2024	Taxes Receivable-Delinquent	101-10700 GF01	7014					
10	12/31/2024	Taxes Receivable-Delinquent	101-10700 GF01	7014		6,343.00			
10	12/31/2024	Deferred Revenues	101-22200 GF01	7014					
10	12/31/2024	Deferred Revenues - Spec Asses	101-22201 GF01				6,343.00		
10	12/31/2024	Special Assess Rec-Delinquent	200-12200 SRF01	7014					
10	12/31/2024	Deferred Revenues	200-22200 SRF01	7014					
10	12/31/2024	Taxes Receivable-Delinquent	303-10700 DSF01I	7014			540.00		
10	12/31/2024	Deferred Revenues	303-22200 DSF01I	7014		540.00			
10	12/31/2024	Taxes Receivable-Delinquent	350-10700 DSF01J	7014		1,531.00			
10	12/31/2024	Deferred Revenues	350-22200 DSF01J	7014			1,531.00		
10	12/31/2024	Taxes Receivable-Delinquent	382-10700 DSF01A	7014					
10	12/31/2024	Deferred Revenues	382-22200 DSF01A	7014					
10	12/31/2024	Taxes Receivable-Delinquent	383-10700 DSF01B	7014					
10	12/31/2024	Taxes Receivable-Delinquent	383-10700 DSF01B	7014		298.00			
10	12/31/2024	Deferred Revenues	383-22200 DSF01B	7014					
10	12/31/2024	Deferred Revenues	383-22200 DSF01B				298.00		
10	12/31/2024	Taxes Receivable-Delinquent	386-10700 DSF01E	7014					
10	12/31/2024	Taxes Receivable-Delinquent	386-10700 DSF01E	7014		193.00			
10	12/31/2024	Deferred Revenues	386-22200 DSF01E	7014					

City of Milaca

Year End: December 31, 2024

Journal Entries: Adjusting

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
10	12/31/2024	Deferred Revenues	386-22200 DSF01E	7014			193.00		
10	12/31/2024	Taxes Receivable-Delinquent	387-10700 DSF01F	7014					
10	12/31/2024	Deferred Revenues	387-22200 DSF01F	7014					
10	12/31/2024	Taxes Receivable-Delinquent	388-10700 DSF01G	7014		225.00			
10	12/31/2024	Taxes Receivable-Delinquent	388-10700 DSF01G	7014					
10	12/31/2024	Deferred Revenues	388-22200 DSF01G	7014			225.00		
10	12/31/2024	Deferred Revenues	388-22200 DSF01G	7014					
		To adjust delinquent tax receivables.						Recurring	Factual
11	12/31/2024	Retainage Payable	501-20220 CPF05	5515			45,432.00		
11	12/31/2024	Street Construction	501-43100-405 CPF05	5515		45,432.00			
		To record retainage payable at year end.						Recurring	Factual
12	12/31/2024	Special Assess Rec-Delinquent	101-12200 GF01	7014		2,338.00			
12	12/31/2024	Special Assess Rec-Deferred	101-12300 GF01	7014			2,338.00		
12	12/31/2024	Special Assess Rec-Delinquent	602-12200 ENT01	7014		657.00			
12	12/31/2024	Special Assess Rec-Deferred	602-12300 ENT01	7014			1,595.00		
12	12/31/2024	Special Assessments	602-36100 ENT01	7014		938.00			
		To adjust special assessments receivables.						Recurring	Factual
13	12/31/2024	Benefits Payable	602-21500 ENT01	6212			10,114.00		
13	12/31/2024	Change in Accounting Principle	602-25999 ENT01	6212		10,114.00			
13	12/31/2024	Benefits Payable	603-21500 ENT02	6212			10,114.00		
13	12/31/2024	Change in Accounting Principle	603-25999 ENT02	6212		10,114.00			
13	12/31/2024	Benefits Payable	609-21500 ENT03	6212			12,048.00		
13	12/31/2024	Change in Accounting Principle	609-25999 ENT03	6212		12,048.00			
13	12/31/2024	Benefits Payable	619-21500 AF01	6212			3,415.00		
13	12/31/2024	Change in Accounting Principle	619-25999 AF01	6212		3,415.00			
13	12/31/2024	Amount Provided for Sick/Sevr	902-18201 G34G	6212		79,371.00			
13	12/31/2024	Sick/Sev Leave Payable	902-18203 G34G	6212			79,371.00		
		To record the effects of adopting GASB 101 related to compensated absences.							Factual
14	12/31/2024	Benefits Payable	602-21500 ENT01	6211			141.00		
14	12/31/2024	Benefits Payable	603-21500 ENT02	6211			141.00		
14	12/31/2024	Benefits Payable	609-21500 ENT03	6211			8,581.00		
14	12/31/2024	Benefits Payable	619-21500 AF01	6211		1,508.00			
14	12/31/2024	Amount Provided for Sick/Sevr	902-18201 G34G	6211		10,770.00			
14	12/31/2024	Sick/Sev Leave Payable	902-18203 G34G	6211			10,770.00		
14	12/31/2024	Full-Time Regular	602-49400-101 ENT01	6211		141.00			
14	12/31/2024	Full-Time Regular	603-49450-101 ENT02	6211		141.00			
14	12/31/2024	Full-Time Regular	609-49750-101 ENT03	6211		8,581.00			
14	12/31/2024	Full-Time Regular	619-49900-101 AF01	6211			1,508.00		
		To adjust compensated absences for the adoption of GASB 101 in the current year.							Factual
15	12/31/2024	Improvements Other Than Bldgs	603-16300 ENT02	5513		73,154.00			
15	12/31/2024	Fixed Asset-Equip/Machinery	603-16400 ENT02	5513		39,989.00			
15	12/31/2024	Other Professional Services	603-49450-310 ENT02	5513			1,082.00		
15	12/31/2024	Improv Other Than Bldgs	603-49450-530 ENT02	5513			73,154.00		
15	12/31/2024	Improv Other Than Bldgs	603-49450-530 ENT02	5513			38,907.00		
		To record additions in business-type activities						Recurring	Factual
16	12/31/2024	Lease Receivables	385-11700 DSF01D	6503			74,127.00		
16	12/31/2024	Deferred Inflows - Leases	385-22300 DSF01D	6503		70,692.00			
16	12/31/2024	(Gain) Loss on Lease Modification	385-37999 DSF01D	6503		3,435.00			
		To apply lease termination/modification.							Factual
17	12/31/2024	Fund Cash	101-10000 GF01				48,494.00		

City of Milaca

Year End: December 31, 2024

Journal Entries: Adjusting

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
17	12/31/2024	Wages & Salaries Payable	101-21600 GF01				19,549.00		
17	12/31/2024	Health Saving Account	101-21705 GF01				367.00		
17	12/31/2024	Medical Insur.	101-21706 GF01				1,372.00		
17	12/31/2024	Deferred Comp.	101-21708 GF01				19.00		
17	12/31/2024	Union Dues	101-21710 GF01				25.00		
17	12/31/2024	Dental	101-21712 GF01				82.00		
17	12/31/2024	Fund Cash	602-10000 ENT01			9,978.00			
17	12/31/2024	Benefits Payable	602-21500 ENT01				8,591.00		
17	12/31/2024	Wages & Salaries Payable	602-21600 ENT01				5,877.00		
17	12/31/2024	Fund Cash	603-10000 ENT02			10,029.00			
17	12/31/2024	Benefits Payable	603-21500 ENT02				8,598.00		
17	12/31/2024	Wages & Salaries Payable	603-21600 ENT02				6,021.00		
17	12/31/2024	Fund Cash	609-10000 ENT03			21,594.00			
17	12/31/2024	Benefits Payable	609-21500 ENT03				11,932.00		
17	12/31/2024	Wages & Salaries Payable	609-21600 ENT03				12,906.00		
17	12/31/2024	Fund Cash	619-10000 AF01			6,893.00			
17	12/31/2024	Benefits Payable	619-21500 AF01				2,604.00		
17	12/31/2024	Wages & Salaries Payable	619-21600 AF01				5,470.00		
17	12/31/2024	Part-Time Employees	101-41110-103 GF01			220.00			
17	12/31/2024	Full-Time Regular	101-41310-101 GF01			4,997.00			
17	12/31/2024	Full-Time Regular	101-41510-101 GF01			4,313.00			
17	12/31/2024	Full-Time Regular	101-41940-101 GF01			5,924.00			
17	12/31/2024	Full-Time Regular	101-42110-101 GF01			37,508.00			
17	12/31/2024	Overtime	101-42110-102 GF01			496.00			
17	12/31/2024	Full-Time Regular	101-43000-101 GF01			6,542.00			
17	12/31/2024	Full-Time Regular	101-45200-101 GF01			6,540.00			
17	12/31/2024	Temp-Winter Help	101-45210-105 GF01			98.00			
17	12/31/2024	Full-Time Regular	101-49810-101 GF01			3,270.00			
17	12/31/2024	Full-Time Regular	602-49400-101 ENT01			4,490.00			
17	12/31/2024	Full-Time Regular	603-49450-101 ENT02			4,590.00			
17	12/31/2024	Full-Time Regular	609-49750-101 ENT03			3,244.00			
17	12/31/2024	Full-Time Regular	619-49900-101 AF01			1,181.00			
		To adjust salaries and benefits payable to agree to client's schedule						Recurring	Factual
18	12/31/2024	Benefits Payable	602-21500 ENT01			764.00			
18	12/31/2024	Benefits Payable	603-21500 ENT02			764.00			
18	12/31/2024	Benefits Payable	609-21500 ENT03			1,051.00			
18	12/31/2024	Benefits Payable	619-21500 AF01				407.00		
18	12/31/2024	Full-Time Regular	602-49400-101 ENT01				764.00		
18	12/31/2024	Full-Time Regular	603-49450-101 ENT02				764.00		
18	12/31/2024	Full-Time Regular	609-49750-101 ENT03				1,051.00		
18	12/31/2024	Full-Time Regular	619-49900-101 AF01			407.00			
		To reverse client JE for Compensated Absences.							Factual
19	12/31/2024	Lease Receivables	101-11700 GF01	6503			2,333.00		
19	12/31/2024	Office Space Rental	101-34101 GF01	6503		2,400.00			
19	12/31/2024	Interest Earnings - Leases	101-36211 GF01	6503			67.00		
19	12/31/2024	Lease Receivables	385-11700 DSF01D	6503			21,279.00		
19	12/31/2024	Other Leases	385-34112 DSF01D	6503		24,000.00			
19	12/31/2024	Interest Earnings - Leases	385-36211 DSF01D	6503			2,721.00		
19	12/31/2024	Lease Receivables	602-11700 ENT01	6503			11,734.00		
19	12/31/2024	Miscellaneous Revenues	602-36200 ENT01	6503		21,420.00			
19	12/31/2024	Interest Earnings - Leases	602-36211 ENT01	6503			9,686.00		
		To apply a portion of current year lease collections to the lease receivable principal balance, and reallocate the remainder to interest earning.						Recurring	Factual
20	12/31/2024	Deferred Inflows - Leases	101-22300 GF01	6503		2,278.00			
20	12/31/2024	Lease Revenue (Amortization)	101-38000 GF01	6503			2,278.00		
20	12/31/2024	Deferred Inflows - Leases	385-22300 DSF01D	6503		21,752.00			
20	12/31/2024	Lease Revenue (Amortization)	385-38000 DSF01D	6503			21,752.00		
20	12/31/2024	Deferred Inflows - Leases	602-22300 ENT01	6503		19,362.00			
20	12/31/2024	Lease Revenue (Amortization)	602-38000 ENT01	6503			19,362.00		
		To amortize the lease deferral on a straight-line basis, resulting in lease revenue being recorded.						Recurring	Factual

City of Milaca

Year End: December 31, 2024

Journal Entries: Adjusting

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
21	12/31/2024	Due From Other Governments	101-13200 GF01	7005			4,911.00		
21	12/31/2024	Deferred Revenues - Oth Rcvbls	101-22202 GF01	7005		2,303.00			
21	12/31/2024	Airport State Aid/Grants	101-33406 GF01	7005		2,608.00			
		To reverse receivables for FY23 Q3 & Q4 state aid.						Recurring	Factual
22	12/31/2024	Due From Other Governments	501-13200 CPF05	5515			247,466.00		
22	12/31/2024	Federal Grant CPF	501-33170 CPF05	5515		247,466.00			
		To adjust year end receivable for the Federal grant (receivable booked for expenditures incurred to date only)						Recurring	Factual
23	12/31/2024	Investments at MKT	101-10400 GF01	5000 LEAD		110,115.00			
23	12/31/2024	Unrealized Loss	101-49200-470 GF01	5000 LEAD			110,115.00		
		To adjust for Change in Asset Value per review of the December 2024 RBC Wealth Management statement						Recurring	Factual
24	12/31/2024	Accounts Payable	101-20200 GF01	6101			16,601.00		
24	12/31/2024	Equipment Parts/Repairs	101-42280-221 GF01	6101		479.00			
24	12/31/2024	Professional Srvs	101-42400-300 GF01	6101		6,222.00			
24	12/31/2024	Buildings and Structures	101-43000-520 GF01	6101		9,900.00			
		To adjust for errors in A/P at year-end. REVERSE as of 1/1/2025.							Factual
25	12/31/2024	Prepaid Items	101-15500 GF01	5400 LEAD		190,039.00			
25	12/31/2024	Reserve Purchase	101-42280-241 GF01	5400 LEAD			190,039.00		
		To record prepaid for deposits paid on new pumper truck							Factual
26	12/31/2024	Accounts Payable	619-20200 AF01	6100 LEAD			12,679.00		
26	12/31/2024	Motor Vehicle License	619-37900 AF01	6100 LEAD		12,679.00			
		To adjust AP balance for 12/20 State payment that was not correctly applied to the AP account per the GL detail and "Dep Reg 2024" monthly excel schedule						Recurring	Factual
27	12/31/2024	Fund Cash	404-10000 DSF02				22,467.00		
27	12/31/2024	Unreserved Fund Balance	404-25300 DSF02			22,467.00			
		To correct beginning equity for duplicated deposit outstanding from 2023 TIF payments in fund 404							Factual
						2,097,190.00	2,097,190.00		

EXHIBIT A-2

OTHER JOURNAL ENTRIES

Includes:

- Entries provided by the City
- Reclassifications for financial statement presentation
- Government-wide conversion entries

City of Milaca

Year End: December 31, 2024

Journal Entries: Reclassifying

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
101	12/31/2024	Unreserved Fund Balance	101-25300 GF01			1.00			
101	12/31/2024	Unreserved Fund Balance	303-25300 DSF01I			2.00			
101	12/31/2024	Unreserved Fund Balance	350-25300 DSF01J				1.00		
101	12/31/2024	Unreserved Fund Balance	383-25300 DSF01B				1.00		
101	12/31/2024	Unreserved Fund Balance	602-25300 ENT01			1.00			
101	12/31/2024	Unreserved Fund Balance	603-25300 ENT02				1.00		
101	12/31/2024	Unreserved Fund Balance	609-25300 ENT03				1.00		
101	12/31/2024	Professional Srvs-Assessor	101-41550-300 GF01			6.00			
101	12/31/2024	Improv Other Than Bldgs	218-49000-530 CPF04			1.00			
101	12/31/2024	Fiscal Agent s Fees	303-47000-620 DSF01I				1.00		
101	12/31/2024	Fiscal Agent s Fees	350-47000-620 DSF01J			1.00			
101	12/31/2024	Engineering Fees	501-43100-303 CPF05			1.00			
101	12/31/2024	Utilities	603-49450-381 ENT02			1.00			
101	12/31/2024	Utilities	609-49750-381 ENT03				5.00		
101	12/31/2024	Office Supplies	619-49900-201 AF01				1.00		
101	12/31/2024	Other Operating Supplies	619-49900-217 AF01				3.00		
To record immaterial plugs to tie out opening equity and balance funds.								Recurring	
102	12/31/2024	Revenue Bonds Payable NC	602-23130 ENT01	6001		75,000.00			
102	12/31/2024	Bond Payable Current	602-23131 ENT01	6001			75,000.00		
102	12/31/2024	Bonds Payable	902-18202 G34G	6001		188,143.00			
102	12/31/2024	Note Payable	902-18207 G34G	6001					
102	12/31/2024	Capital Lease	902-18208 G34G	6001		27,109.00			
102	12/31/2024	Current Portion LTD	SW-902-23131 G34G	6001			188,143.00		
102	12/31/2024	Current Portion Capital Lease	SW-902-23132 G34G	6001			27,109.00		
102	12/31/2024	Current Portion Notes Payable	SW-902-23133 G34G	6001					
To reclass current portion debt.								Recurring	
103	12/31/2024	Fund Cash	101-10000 GF01	5910 FN			267,242.00		
103	12/31/2024	Due from Other Funds	101-13101 GF01	5910 FN		267,242.00			
103	12/31/2024	Fund Cash	200-10000 SRF01	5910 FN		107,141.00			
103	12/31/2024	Due to Other Funds	200-20701 SRF01	5910 FN			107,141.00		
103	12/31/2024	Fund Cash	355-10000 DSF01K	5910 FN		187.00			
103	12/31/2024	Due to Other Funds	355-20701 DSF01K	5910 FN			187.00		
103	12/31/2024	Fund Cash	382-10000 DSF01A	5910 FN		35,175.00			
103	12/31/2024	Due to Other Funds	382-20701 DSF01A	5910 FN			35,175.00		
103	12/31/2024	Fund Cash	404-10000 DSF02	5910 FN		88,184.00			
103	12/31/2024	Due to Other Funds	404-20701 DSF02	5910 FN			88,184.00		
103	12/31/2024	Fund Cash	407-10000 DSF03	5910 FN		500.00			
103	12/31/2024	Due to Other Funds	407-20701 DSF03	5910 FN			500.00		
103	12/31/2024	Fund Cash	501-10000 CPF05	5910 FN		36,055.00			
103	12/31/2024	Due to Other Funds	501-20701 CPF05	5910 FN			36,055.00		
To reclassify cash deficits to be presented as interfund balances.								Recurring	
104	12/31/2024	Fire State Aid	101-33408 GF01	7005		1,800.00			
104	12/31/2024	Other State Aid - Fire/Police	101-33410 GF01	7005			1,800.00		
To reclassify misc state reimbursements to an account that is mapped under "Other State Aid," based on OSA reporting instructions								Recurring	
105	12/31/2024	Lease Receivables	101-11700 GF01				1,196.00		
105	12/31/2024	Lease Receivables - Current	101-11701 GF01			1,196.00			
105	12/31/2024	Lease Receivables	385-11700 DSF01D						
105	12/31/2024	Lease Receivables - Current	385-11701 DSF01D						
105	12/31/2024	Lease Receivables	602-11700 ENT01				12,775.00		
105	12/31/2024	Lease Receivables - Current	602-11701 ENT01			12,775.00			
To break out the current portion of lease receivables at year-end.								Recurring	
106	12/31/2024	Proceeds-Gen Long-term Debt	101-39300 GF01			51,611.00			
106	12/31/2024	Bond Premium	101-39301 GF01				63,371.00		
106	12/31/2024	Bonding Fees	101-43100-307 GF01			11,760.00			

City of Milaca

Year End: December 31, 2024

Journal Entries: Reclassifying

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
To break out the bond premium and issuance costs from the face amount of the issuance.									
107	12/31/2024	Special Assess Rec-Deferred	101-12300 GF01	7014			1,545.00		
107	12/31/2024	Special Assess Rec-Deferred	602-12300 ENT01	7014			1,090.00		
107	12/31/2024	Special Assess Rec-Within 1 year	SW-101-12000 GF01	7014		1,545.00			
107	12/31/2024	Special Assess Rec-Within 1 year	SW-602-12000 ENT01	7014		1,090.00			
To reclass special assessment receivable balances due in 1 year								Recurring	
108	12/31/2024	Motor Vehicle License	619-37900 AF01	7009			4,319,175.00		
108	12/31/2024	Motor Vehicle License	619-37900 AF01	7009			12,679.00		
108	12/31/2024	D.N.R.	619-37912 AF01	7009			124,058.00		
108	12/31/2024	State Remittances - Motor Vehicle	SW-619-4990-500 AF01	7009		4,319,175.00			
108	12/31/2024	State Remittances - Motor Vehicle	SW-619-4990-500 AF01	7009		12,679.00			
108	12/31/2024	State Remittances - DNR	SW-619-4990-502 AF01	7009		124,058.00			
To break out DMV payments going back to the State that were lumped with revenue accounts per review of the GL Detail.								Recurring	
109	12/31/2024	Capital Lease	902-18208 G34G	7420 LEAD		79.00			
109	12/31/2024	GW - Equity Adjustment	SW-GW-24101 G34G	7420 LEAD			79.00		
109	12/31/2024	Capital Lease Payment	389-47000-606 DSF01H	7420 LEAD		79.00			
109	12/31/2024	Interest Expense	389-47000-610 DSF01H	7420 LEAD			79.00		
To reclass debt payment to properly show principal/interest paid.									
201	12/31/2024	Amount Provided for Debt Retir	902-18200 G34G	6000 GOV LE/			930,500.00		
201	12/31/2024	Bonds Payable	902-18202 G34G	6000 GOV LE/		930,500.00			
To move bonds payable back to it's opening balance at the beginning of the year.								Recurring	
202	12/31/2024	Amount Provided for Debt Retir	902-18200 G34G	6001		19,950.00			
202	12/31/2024	Bond Premium	SW-902-19000 G34G	6001			14,056.00		
202	12/31/2024	Amortization Expense	902-43100-499 G34G	6001			5,894.00		
To record bond premium amortization.								Recurring	
203	12/31/2024	Amount Avail in Debt Srv Funds	902-18100 G34G	6001		23,828.00			
203	12/31/2024	Accrued Interest	902-22800 G34G	6001			36,623.00		
203	12/31/2024	Interest Expense	902-47000-610 G34G	6001		12,795.00			
To record accrued interest.								Recurring	
204	12/31/2024	Amount Provided for Debt Retir	902-18200 G34G	6001		19,000.00			
204	12/31/2024	Bonds Payable	902-18202 G34G	6001		180,000.00			
204	12/31/2024	GW - Equity Adjustment	SW-GW-24101 G34G	6001		26,104.00			
204	12/31/2024	Debt Srv Bond Principal	901-47000-601 G34G	6001			180,000.00		
204	12/31/2024	Fire Hall Loan Payment	901-47000-602 G34G	6001			19,000.00		
204	12/31/2024	Capital Lease Debt Principal	901-47000-606 G34G	6001			26,104.00		
204	12/31/2024	Short-Term Debt Principal	901-49000-603 G34G	6001					
To record current year GW debt payments								Recurring	
205	12/31/2024	Amount Provided for Debt Retir	902-18200 G34G	6354A		595,005.00			
205	12/31/2024	Net Pension Liability	902-18300 G34G	6354A			884,119.00		
205	12/31/2024	Deferred Outflows	902-18301 G34G	6354A		1,056,993.00			
205	12/31/2024	Deferred Inflows	902-18302 G34G	6354A			1,011,963.00		
205	12/31/2024	Net Pension Asset - Fire Relief	902-18303 G34G	6354A		190,041.00			
205	12/31/2024	Deferred Outflows - Fire Relief	902-18304 G34G	6354A		114,454.00			
205	12/31/2024	Deferred Inflows - Fire Relief	902-18305 G34G	6354A			60,411.00		
To record GASB 68 beginning balances.								Recurring	

City of Milaca

Year End: December 31, 2024

Journal Entries: Reclassifying

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
206	12/31/2024	Net Pension Asset - Fire Relief	902-18303 G34G	6354A		145,777.00			
206	12/31/2024	Deferred Outflows - Fire Relief	902-18304 G34G	6354A			69,851.00		
206	12/31/2024	Deferred Inflows - Fire Relief	902-18305 G34G	6354A			9,321.00		
206	12/31/2024	PERA Fire State Contribution	902-36202 G34G	6354A		8,373.00			
206	12/31/2024	Pension Expense - Fire Relief	902-48000-121 G34G	6354A			74,978.00		
		To adjust for current year VFRA pension activity based on the VFRA schedules.						Recurring	
207	12/31/2024	Net Pension Liability	902-18300 G34G	6354A		260,630.00			
207	12/31/2024	Deferred Outflows	902-18301 G34G	6354A			237,558.00		
207	12/31/2024	Deferred Inflows	902-18302 G34G	6354A		938.00			
207	12/31/2024	PERA State Contribution	902-36201 G34G	6354A			19,397.00		
207	12/31/2024	Pension Expense - Admin & Finance	902-41310-121 G34G	6354A			1,711.00		
207	12/31/2024	Pension Expense - Admin & Finance	902-41510-121 G34G	6354A			2,147.00		
207	12/31/2024	Pension Expense - General Gov	902-41940-121 G34G	6354A			1,830.00		
207	12/31/2024	Pension Expense - Police	902-42110-121 G34G	6354A		8,082.00			
207	12/31/2024	Pension Expense - Streets	902-43000-121 G34G	6354A			2,803.00		
207	12/31/2024	Pension Expense - Parks & Rec	902-45200-121 G34G	6354A			2,803.00		
207	12/31/2024	Pension Expense - Airport	902-49810-121 G34G	6354A			1,401.00		
		To adjust for current year PERA pension activity based on schedules from PERA.						Recurring	
208	12/31/2024	Accum Depr-Bldgs/Improvements	901-21000 G34G	5512			137,473.00		
208	12/31/2024	Accum Depr-Equip/Machinery	901-23000 G34G	5512			205,414.00		
208	12/31/2024	Accum Depr - Infrastructure	901-29000 G34G	5512			363,312.00		
208	12/31/2024	Depreciation - General Government	901-41940-100 G34G	5512		50,935.00			
208	12/31/2024	Depreciation - Police	901-42110-100 G34G	5512		33,835.00			
208	12/31/2024	Depreciation - Fire	901-42280-100 G34G	5512		116,264.00			
208	12/31/2024	Depreciation - PW (Shop, Streets)	901-43000-100 G34G	5512		261,502.00			
208	12/31/2024	Depreciation - Parks	901-45200-100 G34G	5512		157,137.00			
208	12/31/2024	Depreciation - Library	901-45500-100 G34G	5512		53,759.00			
208	12/31/2024	Depreciation - Airport	901-49810-100 G34G	5512		32,767.00			
		To record current year depreciation expense in governmental funds.						Recurring	
209	12/31/2024	Fixed Asset-Land	901-16100 G34G	5510 GOV LE/			35,510.00		
209	12/31/2024	Fixed Asset-Buildings	901-16200 G34G	5510 GOV LE/		51,563.00			
209	12/31/2024	Improvements Other Than Bldgs	901-16300 G34G	5510 GOV LE/		2,543,462.00			
209	12/31/2024	Fixed Asset-Equip/Machinery	901-16400 G34G	5510 GOV LE/		538,448.00			
209	12/31/2024	Fixed Asset-Const in Progress	901-16500 G34G	5510 GOV LE/		277,273.00			
209	12/31/2024	Accum Depr-Bldgs/Improvements	901-21000 G34G	5510 GOV LE/			396,844.00		
209	12/31/2024	Accum Depr-Equip/Machinery	901-23000 G34G	5510 GOV LE/			545,771.00		
209	12/31/2024	Investment General Fixed Asset	901-28000 G34G	5510 GOV LE/			1,541,825.00		
209	12/31/2024	Accum Depr - Infrastructure	901-29000 G34G	5510 GOV LE/			890,796.00		
		To adjust GW capital assets to their BOY balance.						Recurring	
210	12/31/2024	Amount Provided for Sick/Sevr	902-18201 G34G	6211		29,187.00			
210	12/31/2024	Amount Provided for Sick/Sevr	902-18201 G34G	6211			79,371.00		
210	12/31/2024	Sick/Sev Leave Payable	902-18203 G34G	6211			29,187.00		
210	12/31/2024	Change in Accounting Principle	902-25999 G34G	6211		79,371.00			
		To adjust beginning compensated absences to agree to the prior year and adjust ending balances to agree to client schedule at the government wide level						Recurring	
211	12/31/2024	Deferred Revenue Contra - GA	SW-22200 G34G	7010 GOV LE/		58,303.00			
211	12/31/2024	Deferred Revenue Conta - Special Assessments	SW-22201 G34G	7010 GOV LE/		1,545.00			
211	12/31/2024	General Property Taxes - GA	SW-31010 G34G	7010 GOV LE/		5,738.00			
211	12/31/2024	Airport State Aid - GA	SW-33406 G34G	7010 GOV LE/		2,303.00			
211	12/31/2024	Special Assessments - GA	SW-36100 G34G	7010 GOV LE/		2,338.00			
211	12/31/2024	Deferred Revenues	101-22200 GF01	7010 GOV LE/			8,681.00		
211	12/31/2024	Deferred Revenues - Spec Asses	101-22201 GF01	7010 GOV LE/		8,681.00			
211	12/31/2024	Amount Provided from Spec Assm	902-18101 G34G	7010 GOV LE/			64,041.00		
211	12/31/2024	Amount Provided from Spec Assm	902-18101 G34G	7010 GOV LE/			3,883.00		
211	12/31/2024	Amount Provided from Spec Assm	902-18101 G34G	7010 GOV LE/			2,303.00		

City of Milaca

Year End: December 31, 2024

Journal Entries: Reclassifying

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
		To eliminate deferred inflows on the government wide level.						Recurring	
212	12/31/2024	Transfer In (GW Contra Account)	SW-39203 G34G	5910	GOV LE/	183,871.00			
212	12/31/2024	Transfer Out (GW Contra Account)	SW-49200-730 G34G	5910	GOV LE/		183,871.00		
		To net transfers between governmental funds within the government-wide financial statements (using contra-accounts), for financial statement presentation purposes.						Recurring	
213	12/31/2024	Bonds Payable	902-18202 G34G	6001			737,500.00		
213	12/31/2024	Debt Proceeds Contra	902-39310 G34G	6001		800,871.00			
213	12/31/2024	Bond Premium	SW-902-19000 G34G	6001			63,371.00		
		To move debt proceeds to long term debt balances.							
214	12/31/2024	Fixed Asset-Buildings	901-16200 G34G	5515		70,698.00			
214	12/31/2024	Improvements Other Than Bldgs	901-16300 G34G	5515		1,033,249.00			
214	12/31/2024	Fixed Asset-Const in Progress	901-16500 G34G	5515		2,094,991.00			
214	12/31/2024	Fixed Asset-Const in Progress	901-16500 G34G	5515			1,103,947.00		
214	12/31/2024	Contribution of Assets	SW-901-36231 G34G	5515			44,537.00		
214	12/31/2024	Contribution of Assets	SW-901-36231 G34G	5515			5,795.00		
214	12/31/2024	Legal Notice Publishing	901-41110-351 G34G	5515			688.00		
214	12/31/2024	Other Professional Services	901-41940-310 G34G	5515			5,236.00		
214	12/31/2024	Repairs/Maint Buildings	901-41940-401 G34G	5515			9,877.00		
214	12/31/2024	Office Equip and Furnishings	901-41940-570 G34G	5515			10,000.00		
214	12/31/2024	Engineering Fees	901-43000-303 G34G	5515			123,665.00		
214	12/31/2024	Repairs/Maint Streets	901-43000-403 G34G	5515			18,221.00		
214	12/31/2024	Improv Other than Bldgs	901-43000-530 G34G	5515			462,591.00		
214	12/31/2024	Engineering Fees	901-43100-303 G34G	5515			205,084.00		
214	12/31/2024	Street Construction	901-43100-405 G34G	5515			909,168.00		
214	12/31/2024	Other Miscellaneous	901-43100-437 G34G	5515			7,226.00		
214	12/31/2024	Other Professional Services	901-46500-310 G34G	5515			2,715.00		
214	12/31/2024	Other Advertising	901-46500-343 G34G	5515			1,568.00		
214	12/31/2024	Improv Other Than Buildings	901-46500-530 G34G	5515			11,111.00		
214	12/31/2024	Other Professional Services	901-49810-310 G34G	5515			73,771.00		
214	12/31/2024	Improv Other Than Bldgs	901-49810-530 G34G	5515			203,738.00		
		To record current year CIP activity and capitalize completed projects.						Recurring	
215	12/31/2024	Fixed Asset-Land	901-16100 G34G	5512		276,587.00			
215	12/31/2024	Fixed Asset-Buildings	901-16200 G34G	5512		6,889.00			
215	12/31/2024	Improvements Other Than Bldgs	901-16300 G34G	5512		111,651.00			
215	12/31/2024	Fixed Asset-Equip/Machinery	901-16400 G34G	5512		51,750.00			
215	12/31/2024	Fixed Asset-Equip/Machinery	901-16400 G34G	5512		154,548.00			
215	12/31/2024	Repairs/Maint Buildings	901-41940-401 G34G	5512			6,889.00		
215	12/31/2024	MotoVehicles	901-42110-550 G34G	5512			79,311.00		
215	12/31/2024	MotoVehicles	901-42110-550 G34G	5512			55,092.00		
215	12/31/2024	Other Equipment	901-42280-580 G34G	5512			20,145.00		
215	12/31/2024	Reserve Purchase	901-43000-241 G34G	5512			13,425.00		
215	12/31/2024	Repairs/Maint Streets	901-43000-403 G34G	5512			85,036.00		
215	12/31/2024	Reserve Purchase	901-45200-241 G34G	5512			13,425.00		
215	12/31/2024	Other Equipment	901-45200-580 G34G	5512			26,615.00		
215	12/31/2024	Land	901-46500-510 G34G	5512			276,587.00		
215	12/31/2024	Other Equipment	901-49810-580 G34G	5512			7,900.00		
215	12/31/2024	Other Equipment	901-49810-580 G34G	5512			17,000.00		
		To record current year additions in governmental funds.						Recurring	
216	12/31/2024	Amount Provided for Sick/Sevr	902-18201 G34G	6211			10,770.00		
216	12/31/2024	Salaries Expense - General	902-41110-101 G34G	6211		3,049.00			
216	12/31/2024	Salaries Expense - Police	902-42110-101 G34G	6211		8,963.00			
216	12/31/2024	Salaries Expense - Public Works	902-43000-101 G34G	6211			745.00		
216	12/31/2024	Salaries Expense - Parks	902-45200-101 G34G	6211			497.00		
		To adjust compensated absences for the adoption of GASB 101 in the current year.							

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
						18,056,595.00	18,056,595.00		

EXHIBIT B

MANAGEMENT LETTER

Members of the City Council
City of Milaca, MN

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Milaca, Minnesota (the City) as of and for the year ended December 31, 2024. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

CURRENT YEAR COMMENTS:

Payment of Vendor Claims Prior to Council Approval

The City occasionally pays certain vendor claims prior to the claims being formally approved by the City's Council. While this practice is allowed for the purpose of avoiding penalties and late fees, Minnesota Statutes impose certain procedural requirements related to the process. We recommend the City review Minnesota Statute 412.271, subdivision 8, specifically in relation to the requirement to adopt internal accounting and administrative control procedures surrounding the disbursement of public funds prior to Council approval. Although the City appears to have implemented related control procedures in practice, we recommend the City adopt a written policy governing the process. At a minimum, the policy should clarify what types of claims can be paid, potentially a dollar threshold, who has the authority to pay claims prior to Council approval, and the process for ensuring these claims are approved at the next regularly scheduled Council meeting.

CONCLUSION:

We wish to take this opportunity to express our sincere appreciation for all the courtesies and cooperation extended to us by Tammy Pfaff and Elizabeth Nealley. We would also like to thank you for the opportunity to serve you. We look forward to serving you in the future.

This letter is intended solely for the information and use of the City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the City of Milaca and would be happy to assist you in addressing and implementing any of the suggestions in this letter.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
June 9, 2025

City of Milaca, Minnesota

Audited Financial Statements

For The Year Ended
December 31, 2024

**SCHLENNER
WENNER & Co.**
CPAs

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**INTRODUCTORY
SECTION**

**CITY OF MILACA, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CITY COUNCIL

		<u>Term Expires</u>
Dave Dillan	Mayor	December 31, 2026
Laurie Gahm	Council Member	December 31, 2024
Norris Johnson	Council Member	December 31, 2026
Lindsee Larsen	Council Member	December 31, 2028
Ken Muller	Council Member	December 31, 2026

CITY OFFICIALS

Tammy Pfaff	Manager
Elizabeth Nealley	Treasurer

**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Milaca, 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, each major fund, and the aggregate remaining fund information of the City of Milaca, Minnesota, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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 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.

Emphasis of Matter

As discussed in Note 1.H. to the financial statements, in 2024, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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'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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, schedule of indebtedness, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, supplemental schedules, and Schedule of Expenditures of Federal Awards 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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, supplemental schedules, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2025 on our consideration of the City of Milaca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milaca's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenger Wenner & Co.".

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 9, 2025

BASIC FINANCIAL STATEMENTS

CITY OF MILACA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 3,056,671	\$ 2,288,224	\$ 5,344,895
Property Taxes Receivable	71,450	-	71,450
Assessments Receivable	1,545	5,822	7,367
Accounts Receivable	24,938	81,311	106,249
Interest Receivable	17,645	-	17,645
Lease Receivables	1,196	293,362	294,558
Due from Other Governments	74,872	-	74,872
Inventory	-	545,093	545,093
Prepays	251,206	14,398	265,604
Capital Assets Not Being Depreciated	1,752,895	54,788	1,807,683
Capital Assets Being Depreciated (Net)	8,607,974	4,605,827	13,213,801
Net Pension Asset	335,818	-	335,818
TOTAL ASSETS	14,196,210	7,888,825	22,085,035
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	864,038	66,588	930,626
LIABILITIES			
Accounts Payable	191,667	85,294	276,961
Salaries Payable	24,686	29,354	54,040
Accrued Interest Payable	36,623	5,677	42,300
Construction Contracts Payable	45,432	-	45,432
Deposits Payable	-	17,036	17,036
Noncurrent Liabilities:			
Amount Due Within One Year	215,252	244,000	459,252
Amount Due After One Year	2,576,344	472,554	3,048,898
Net Pension Liability	623,489	280,448	903,937
TOTAL LIABILITIES	3,713,493	1,134,363	4,847,856
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,080,757	185,012	1,265,769
Leases	1,139	266,225	267,364
TOTAL DEFERRED INFLOWS OF RESOURCES	1,081,896	451,237	1,533,133
NET POSITION			
Net Investment in Capital Assets	7,711,679	4,010,615	11,722,294
Restricted for:			
Debt Service	642,670	-	642,670
Charitable Gambling Uses	42,133	-	42,133
Economic Development Loans	62,181	-	62,181
Police Forfeiture Enforcement	8,891	-	8,891
Unrestricted	1,797,305	2,359,198	4,156,503
TOTAL NET POSITION	<u>\$ 10,264,859</u>	<u>\$ 6,369,813</u>	<u>\$ 16,634,672</u>

**CITY OF MILACA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 635,703	\$ 54,052	\$ -	\$ -	\$ (581,651)	\$ -	\$ (581,651)
Public Safety	1,353,663	211,766	143,048	150,500	(848,349)	-	(848,349)
Public Works	553,267	-	40,293	1,136,838	623,864	-	623,864
Culture and Recreation	453,920	31,230	1,000	900	(420,790)	-	(420,790)
Economic Development	49,086	-	-	-	(49,086)	-	(49,086)
Airport	40,516	22,862	-	268,179	250,525	-	250,525
Debt Service	75,730	-	-	-	(75,730)	-	(75,730)
Total Governmental Activities	3,161,885	319,910	184,341	1,556,417	(1,101,217)	-	(1,101,217)
Business-Type Activities:							
Water	576,451	605,554	3,251	1,555	-	33,909	33,909
Sewer	412,278	345,297	3,319	-	-	(63,662)	(63,662)
Liquor	2,837,713	2,986,955	6,528	-	-	155,770	155,770
Total Business-Type Activities	3,826,442	3,937,806	13,098	1,555	-	126,017	126,017
TOTALS	\$ 6,988,327	\$ 4,257,716	\$ 197,439	\$ 1,557,972	(1,101,217)	126,017	(975,200)
General Revenues:							
Taxes					983,459	-	983,459
Tax Increment					54,586	-	54,586
Franchise and Other Tax					39,790	-	39,790
Intergovernmental					1,068,200	-	1,068,200
Investment Income (Loss)					218,321	57,704	276,025
Gain (Loss) on Sale of Assets					5,241	-	5,241
Miscellaneous					96,294	(2,846)	93,448
Total General Revenues					2,465,891	54,858	2,520,749
Transfers					300,000	(300,000)	-
Total General Revenues and Transfers					2,765,891	(245,142)	2,520,749
CHANGE IN NET POSITION					1,664,674	(119,125)	1,545,549
NET POSITION - BEGINNING OF YEAR (As Previously Reported)					8,679,556	6,521,214	15,200,770
ADJUSTMENTS AND RESTATEMENTS					(79,371)	(32,276)	(111,647)
Restatement - Change in Accounting Principle							
NET POSITION - BEGINNING OF YEAR (As Adjusted or Restated)					8,600,185	6,488,938	15,089,123
NET POSITION - END OF YEAR					<u>\$ 10,264,859</u>	<u>\$ 6,369,813</u>	<u>\$ 16,634,672</u>

See accompanying notes.

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

	General Fund	Debt Service Fund	Airport Road Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 1,911,147	\$ 699,037	\$ -	\$ 446,487	\$ 3,056,671
Property Taxes Receivable	55,832	15,618	-	-	71,450
Assessments Receivable	1,545	-	-	-	1,545
Accounts Receivable	24,938	-	-	-	24,938
Interest Receivable	17,645	-	-	-	17,645
Lease Receivables	1,196	-	-	-	1,196
Due from Other Funds	267,242	-	-	-	267,242
Due from Other Governments	-	-	74,872	-	74,872
Prepays	251,206	-	-	-	251,206
TOTAL ASSETS	\$ 2,530,751	\$ 714,655	\$ 74,872	\$ 446,487	\$ 3,766,765
LIABILITIES					
Accounts Payable	\$ 146,756	\$ -	\$ 29,440	\$ 15,471	\$ 191,667
Salaries Payable	24,686	-	-	-	24,686
Construction Contracts Payable	-	-	45,432	-	45,432
Due to Other Funds	-	35,362	36,055	195,825	267,242
Total Liabilities	171,442	35,362	110,927	211,296	529,027
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	45,568	12,735	-	-	58,303
Special Assessments	1,545	-	-	-	1,545
Leases	1,139	-	-	-	1,139
Total Deferred Inflows of Resources	48,252	12,735	-	-	60,987
FUND BALANCES					
Nonspendable	251,263	-	-	-	251,263
Restricted	-	666,558	-	113,205	779,763
Assigned	725,905	-	-	322,154	1,048,059
Unassigned	1,333,889	-	(36,055)	(200,168)	1,097,666
Total Fund Balances	2,311,057	666,558	(36,055)	235,191	3,176,751
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,530,751	\$ 714,655	\$ 74,872	\$ 446,487	\$ 3,766,765

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

Total Fund Balances - Governmental Funds	\$	3,176,751
--	----	-----------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 21,589,012	
Accumulated Depreciation	(11,228,143)	
Capital Assets (Net)		10,360,869

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

Debt Principal Payable	(2,462,500)	
Bond Premium, Net of Accumulated Amortization	(77,427)	
Financing Arrangements Payable	(109,263)	
Compensated Absences	(142,406)	
		(2,791,596)

The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the funds:

Net Pension Asset	335,818	
Net Pension Liability	(623,489)	
Deferred Outflows - Pensions	864,038	
Deferred Inflows - Pensions	(1,080,757)	
		(504,390)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(36,623)

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

Property Taxes		58,303
Special Assessments		1,545

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>10,264,859</u>
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CITY OF MILACA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Airport Road Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 771,855	\$ 217,758	\$ -	\$ 30,762	\$ 1,020,375
Tax Increment	-	-	-	54,586	54,586
Franchise Taxes	8,612	-	-	-	8,612
Special Assessments	4,155	-	-	-	4,155
Licenses, Permits, and Fees	47,731	-	-	-	47,731
Intergovernmental	1,510,999	-	1,084,689	-	2,595,688
Charges for Services	229,901	18,317	-	-	248,218
Fines	14,961	-	-	9,000	23,961
Investment Income (Loss)	201,493	4,362	-	9,678	215,533
Lease Interest	67	2,721	-	-	2,788
Miscellaneous	251,485	-	-	2,450	253,935
TOTAL REVENUES	3,041,259	243,158	1,084,689	106,476	4,475,582
EXPENDITURES					
Current:					
General Government	602,788	-	-	2,000	604,788
Public Safety	1,194,973	-	-	10,560	1,205,533
Public Works	245,054	-	-	-	245,054
Parks and Recreation	188,291	-	-	20,631	208,922
Library	22,680	-	-	-	22,680
Economic Development	-	-	-	49,219	49,219
Airport	82,921	-	-	-	82,921
Capital Outlay	1,252,021	255	1,120,744	302,724	2,675,744
Debt Service:					
Principal	-	225,104	-	-	225,104
Interest and Other Charges	11,760	57,069	-	-	68,829
TOTAL EXPENDITURES	3,600,488	282,428	1,120,744	385,134	5,388,794
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(559,229)	(39,270)	(36,055)	(278,658)	(913,212)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	600,000	-	-	137,500	737,500
Premium on Bond Issuance	63,371	-	-	-	63,371
Transfers In	308,000	164,371	-	11,500	483,871
Transfers Out	(62,632)	-	-	(121,239)	(183,871)
TOTAL OTHER FINANCING SOURCES (USES)	908,739	164,371	-	27,761	1,100,871
NET CHANGE IN FUND BALANCES	349,510	125,101	(36,055)	(250,897)	187,659
FUND BALANCES - BEGINNING	1,961,547	541,457	-	486,088	2,989,092
FUND BALANCES - ENDING	\$ 2,311,057	\$ 666,558	\$ (36,055)	\$ 235,191	\$ 3,176,751

CITY OF MILACA, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	187,659
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Amounts reported for governmental activities in the Statement of Activities are different due to the following:

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

Capital Outlay Capitalized	2,646,084	
Depreciation Expense	(706,199)	
Contributions of Capital Assets	<u>50,332</u>	
		1,990,217

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of 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 and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Debt Principal Repayments	225,104	
Debt Issuance	(737,500)	
Premium on Bond Issuance	(63,371)	
Amortization of Bond Premium	<u>5,894</u>	
		(569,873)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

Accrued Interest Payable		(12,795)
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Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	(5,738)	
Special Assessments	(2,338)	
Other Receivables	<u>(2,303)</u>	
		(10,379)

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

Compensated Absences		(10,770)
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Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources		<u>90,615</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,664,674</u>
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**CITY OF MILACA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024**

	Water Fund	Sewer Fund	Liquor Fund	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 810,304	\$ 883,346	\$ 594,574	\$ 2,288,224
Assessments Receivable	1,090	-	-	1,090
Accounts Receivable	52,013	29,173	125	81,311
Inventory	-	-	545,093	545,093
Prepays	3,170	4,864	6,364	14,398
Lease Receivables	12,775	-	-	12,775
Total Current Assets	879,352	917,383	1,146,156	2,942,891
Noncurrent Assets				
Capital Assets Not Being Depreciated	-	-	54,788	54,788
Capital Assets Being Depreciated (Net)	2,911,127	1,030,087	664,613	4,605,827
Assessments Receivable	4,732	-	-	4,732
Lease Receivables	280,587	-	-	280,587
Total Noncurrent Assets	3,196,446	1,030,087	719,401	4,945,934
TOTAL ASSETS	4,075,798	1,947,470	1,865,557	7,888,825
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	16,330	16,677	33,581	66,588
LIABILITIES				
Current Liabilities				
Accounts Payable	7,887	1,434	75,973	85,294
Salaries Payable	7,040	7,186	15,128	29,354
Deposits Payable	17,036	-	-	17,036
Accrued Interest	5,677	-	-	5,677
Bonds Due Within One Year	244,000	-	-	244,000
Total Current Liabilities	281,640	8,620	91,101	381,361
Noncurrent Liabilities				
Compensated Absences Due After One Year	17,660	17,660	31,234	66,554
Bonds Due After One Year	406,000	-	-	406,000
Net Pension Liability	69,615	71,065	139,768	280,448
Total Noncurrent Liabilities	493,275	88,725	171,002	753,002
TOTAL LIABILITIES	774,915	97,345	262,103	1,134,363
DEFERRED INFLOWS OF RESOURCES				
Pensions	45,925	46,882	92,205	185,012
Leases	266,225	-	-	266,225
TOTAL DEFERRED INFLOWS OF RESOURCES	312,150	46,882	92,205	451,237
NET POSITION				
Net Investment in Capital Assets	2,261,127	1,030,087	719,401	4,010,615
Unrestricted	743,936	789,833	825,429	2,359,198
TOTAL NET POSITION	<u>\$ 3,005,063</u>	<u>\$ 1,819,920</u>	<u>\$ 1,544,830</u>	<u>\$ 6,369,813</u>

See accompanying notes.

CITY OF MILACA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Fund	Sewer Fund	Liquor Fund	Totals
SALES AND COST OF SALES				
Sales	\$ -	\$ -	\$ 2,986,955	\$ 2,986,955
Cost of Sales	-	-	(2,195,212)	(2,195,212)
GROSS PROFIT	-	-	791,743	791,743
OPERATING REVENUES				
Charges for Services	586,192	339,297	-	925,489
TOTAL GROSS PROFIT AND OPERATING REVENUES	586,192	339,297	791,743	1,717,232
OPERATING EXPENSES				
Wages and Benefits	228,616	232,136	399,084	859,836
Materials and Supplies	20,855	4,968	7,870	33,693
Repairs and Maintenance	35,924	38,072	14,111	88,107
Professional Services	29,690	31,227	22,934	83,851
Insurance	6,631	6,195	12,391	25,217
Utilities	42,243	12,790	32,445	87,478
Miscellaneous	1,357	2,817	82,015	86,189
Depreciation	195,970	84,073	71,651	351,694
TOTAL OPERATING EXPENSES	561,286	412,278	642,501	1,616,065
NET OPERATING INCOME (LOSS)	24,906	(72,981)	149,242	101,167
NONOPERATING INCOME (EXPENSE)				
Special Assessments	1,555	-	-	1,555
Connection Fees	-	6,000	-	6,000
Investment Income	16,430	19,736	11,852	48,018
Lease Interest	9,686	-	-	9,686
Miscellaneous	26,660	3,319	(365)	29,614
Interest and Other Charges	(15,165)	-	-	(15,165)
TOTAL NONOPERATING INCOME (EXPENSE)	39,166	29,055	11,487	79,708
CHANGE IN NET POSITION PRIOR TO TRANSFERS	64,072	(43,926)	160,729	180,875
TRANSFERS				
Operating Transfers Out	-	-	(300,000)	(300,000)
CHANGE IN NET POSITION	64,072	(43,926)	(139,271)	(119,125)
NET POSITION - BEGINNING OF YEAR (As Previously Reported)	2,951,105	1,873,960	1,696,149	6,521,214
CHANGE IN ACCOUNTING PRINCIPLE Restatement - Change in Accounting Principle	(10,114)	(10,114)	(12,048)	(32,276)
NET POSITION - BEGINNING OF YEAR (As Adjusted or Restated)	2,940,991	1,863,846	1,684,101	6,488,938
NET POSITION - END OF YEAR	\$ 3,005,063	\$ 1,819,920	\$ 1,544,830	\$ 6,369,813

CITY OF MILACA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Fund	Sewer Fund	Liquor Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 578,185	\$ 336,226	\$ 2,986,830	\$ 3,901,241
Cash Paid to Suppliers	(249,873)	(98,749)	(2,334,560)	(2,683,182)
Cash Paid to Employees	(237,846)	(241,169)	(410,764)	(889,779)
NET CASH PROVIDED BY OPERATING ACTIVITIES	90,466	(3,692)	241,506	328,280
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes and Intergovernmental	3,150	-	-	3,150
Other Receipts from Customers	28,718	9,319	(365)	37,672
Net Operating Subsidies and Transfers from (to) Other Funds	-	-	(300,000)	(300,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	31,868	9,319	(300,365)	(259,178)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(28,905)	(113,143)	-	(142,048)
Payments on Bond Principal	(236,000)	-	-	(236,000)
Cash Paid for Interest	(16,523)	-	-	(16,523)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(281,428)	(113,143)	-	(394,571)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	16,430	19,736	11,852	48,018
Net Change in Cash and Cash Equivalents	(142,664)	(87,780)	(47,007)	(277,451)
Cash and Cash Equivalents - Beginning of Year	952,968	971,126	641,581	2,565,675
Cash and Cash Equivalents - End of Year	<u>\$ 810,304</u>	<u>\$ 883,346</u>	<u>\$ 594,574</u>	<u>\$ 2,288,224</u>

CITY OF MILACA, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Fund	Sewer Fund	Liquor Fund	Totals
RECONCILIATION OF NET OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ 24,906	\$ (72,981)	\$ 149,242	\$ 101,167
Adjustments to Reconcile Net Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	195,970	84,073	71,651	351,694
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(7,197)	(3,071)	(125)	(10,393)
Inventory	-	-	9,281	9,281
Prepays	1,479	(2,837)	1,661	303
Accounts Payable	(114,652)	157	21,476	(93,019)
Salaries Payable	970	1,111	3,567	5,648
Deposits Payable	(810)	-	-	(810)
Net Pension Liability	(37,246)	(37,766)	(77,006)	(152,018)
Deferred Outflows or Resources - Pensions	14,923	15,168	29,831	59,922
Deferred Inflows or Resources - Pensions	11,981	12,312	23,348	47,641
Compensated Absences	142	142	8,580	8,864
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 90,466</u>	<u>\$ (3,692)</u>	<u>\$ 241,506</u>	<u>\$ 328,280</u>

CITY OF MILACA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 203,300
Accounts Receivable	619
Prepays	<u>614</u>
TOTAL ASSETS	204,533
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	16,206
LIABILITIES	
Accounts Payable	15,712
Accrued Salaries	6,716
Noncurrent Liabilities:	
Compensated Absences	4,801
Net Pension Liability	<u>67,852</u>
TOTAL LIABILITIES	95,081
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>44,762</u>
FIDUCIARY NET POSITION	
Fiduciary Net Position - Held for Others	<u>\$ 80,896</u>

CITY OF MILACA, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Custodial Funds</u>
ADDITIONS	
Licenses and Permits	\$ 4,713,875
Intergovernmental	3,169
Interest Earnings	184
Miscellaneous	<u>193</u>
TOTAL ADDITIONS	4,717,421
DEDUCTIONS	
Wages and Benefits	189,432
Materials and Supplies	3,327
Repairs and Maintenance	53,681
State Remittances	4,455,912
Equipment and Rent	6,000
Insurance	1,413
Utilities	1,436
Other Services and Charges	<u>4,859</u>
TOTAL DEDUCTIONS	<u>4,716,060</u>
CHANGE IN FIDUCIARY NET POSITION	1,361
FIDUCIARY NET POSITION - BEGINNING OF YEAR	82,950
(As Previously Reported)	
ADJUSTMENTS AND RESTATEMENTS	<u>(3,415)</u>
(Restatement - Change in Accounting Principle)	
FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>79,535</u>
(As Adjusted or Restated)	
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 80,896</u></u>

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Milaca (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitation, utilities, liquor, recreation, public improvements, public safety, airport, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Milaca.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

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 units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Milaca

The Authority was established pursuant to the provisions of Minnesota Statutes Section 469.090 to 469.108 to promote and provide incentives for economic development, and to preserve and create jobs, enhance the City's tax base and promote the general welfare of the people. The EDA is governed by a board of commissioners consisting of five members, all of whom shall be members of the City Council.

The financial activity of the Authority is performed by the City of Milaca and treated as routine City business.

Discretely Presented 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 no discretely presented component units.

Affiliated Organizations

The Fire Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

Airport Road Project Fund

The Airport Road Project Fund accounts for the expenditures incurred for the completion of the Airport Road project, including the related grant reimbursements and any other financial resources to be applied to the project.

The City reports the following major proprietary funds:

Enterprise Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains Water, Sewer, and Liquor Enterprise Funds.

The City reports the following nonmajor fund types:

Capital Project Funds

The nonmajor Capital Project Funds account for financial resources to be used for the acquisition or construction of various other capital projects (other than those financed by proprietary funds).

Special Revenue Funds

The Special Revenue Funds account for funds received by the City with a specific purpose.

Debt Service Funds

The nonmajor Debt Service Funds account for the activity of the tax increment financing districts established by the City.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

Additionally, the City reports a custodial fund. This fund is used to account for the financial activity of assets that are being held in a fiduciary capacity on behalf of the State of Minnesota, for the operation of a Motor Vehicle/Driver's License Department.

Changes in the Financial Reporting Entity

There were no changes in the financial reporting entity, including shifts between major and nonmajor funds, for the year ended December 31, 2024.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the "economic resources" measurement focus as defined in the second bullet point below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the "accrual basis" of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual" basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. The City of Milaca's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. USE OF ESTIMATES

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

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement of Net Position, "cash, cash equivalents, and investments" includes all demand, savings, brokered certificates of deposit, and money market savings accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand, savings, and money market savings accounts.

Investments

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

Prepays

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

Inventory

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the average cost method.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Leases Receivable

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City based on each individual asset’s initial cost and must have an estimated useful life in excess of two years. The City’s cost thresholds for capitalization of acquisitions within various categories are as follows:

Land and Improvements	\$12,500
Buildings and Improvements	\$25,000
Infrastructure	\$50,000
Vehicles, Machinery, and Equipment	\$5,000

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	7-40 years
Infrastructure	10-50 years
Vehicles, Machinery, and Equipment	3-20 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid) during or upon separation from employment. Based on the criteria, vacation, sick leave, and comp time balances accumulated by City employees qualify for liability recognition as compensated absences. The liability for compensated absences is reported as incurred in the proprietary fund and government-wide financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Long-Term Debt

The accounting treatment of long-term debt and other long-term obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Pension Asset/Liability

The net pension asset represents the City's allocation of its pro-rata share of the Statewide Volunteer Firefighter Fund net pension asset. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

PERA

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. As previously discussed, the City reports deferred inflows of resources in both the governmental fund Balance Sheet and both Statements of Net Position in relation to its leasing activities. The City also reports property taxes, special assessments, and occasionally other receivables as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City's policy to consider restricted net position to its depletion before unrestricted net position is applied.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2024 consist of prepaid expenditures and leases receivable.

Restricted – The portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has formally delegated the authority to assign fund balances to the City Manager.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance of five months of budgeted operating expenditures.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described previously.

1.G. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Mille Lacs County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 30th is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the governmental fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

Program Revenues

Program revenues reported in the government-wide financial statements include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related to financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

1.H. RECENTLY ISSUED ACCOUNTING STANDARD

During the current fiscal year, the City adopted Governmental Accounting Standard Board (GASB) Statement No. 101, *Compensated Absences*. This standard provides updated recognition and measurement guidance for recording compensated absences. For additional information regarding the impact of adopting this standard, see Note 5.C.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws. Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

At December 31, 2024, the City's deposits, including certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance and collateral held by the City's agent in the City's name.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "A" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. 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.

Investment balances at December 31, 2024 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1 - 5	6 - 10
Money Market Funds	N/A	N/A	\$ 1,668,309	\$ 1,668,309	\$ -	\$ -
Brokered Certificates of Deposit	NR	Level 2	<u>3,579,131</u>	<u>506,440</u>	<u>2,267,812</u>	<u>804,879</u>
Totals			<u>\$ 5,247,440</u>	<u>\$ 2,174,749</u>	<u>\$ 2,267,812</u>	<u>\$ 804,879</u>

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- Concentration of Credit Risk is the risk associated with the magnitude of the City's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At December 31, 2024, the City is not exposed to a significant concentration of credit risk.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City has formally adopted an Investment Policy, to ensure compliance with Minnesota Statutes and to address each of the risks above to the extent deemed necessary by the City's Council.

Deposits and Investments Summary

A reconciliation of cash and investments as shown on the Statements of Net Position for the City follows:

Carrying Amount of Deposits	\$ 300,755
Investments	<u>5,247,440</u>
 Total	 <u>\$ 5,548,195</u>
 <i>Government-wide</i>	
Cash, Cash Equivalents, and Investments	\$ 5,344,895
Fiduciary - Custodial Funds Cash and Cash Equivalents	<u>203,300</u>
 Total	 <u>\$ 5,548,195</u>

2.B. LEASE RECEIVABLES

The City has executed various agreements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below.

Governmental Activities:

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Deputy Registrar Office Space	\$ 7,973	\$2,400	3.25%	6/30/2025	<u>\$ 1,196</u>

Business-Type Activities:

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Telecom Site Property	\$ 324,311	\$18,841 - \$31,456	3.25%	9/30/2038	<u>\$ 293,362</u>

During the year ended December 31, 2024, the City recognized revenues from leasing activities under the arrangements above within governmental activities and business-type activities in the amount of \$26,818 and \$29,048, respectively.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is as follows:

	Balance at 1/1/2024	Additions	Disposals	Transfers	Balance at 12/31/2024
<i>Governmental Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 186,526	\$ 276,587	\$ -	\$ -	\$ 463,113
Construction In Progress	298,738	2,094,991	-	(1,103,947)	1,289,782
Total Capital Assets not Being Depreciated	485,264	2,371,578	-	(1,103,947)	1,752,895
Capital Assets Being Depreciated					
Buildings and Improvements	5,351,560	6,889	-	70,698	5,429,147
Infrastructure	9,140,950	111,651	-	1,033,249	10,285,850
Equipment, Machinery and Furnishings	3,914,822	206,298	-	-	4,121,120
Total Capital Assets Being Depreciated	18,407,332	324,838	-	1,103,947	19,836,117
Less: Accumulated Depreciation					
Buildings and Improvements	(2,645,649)	(137,473)	-	-	(2,783,122)
Infrastructure	(5,370,101)	(363,312)	-	-	(5,733,413)
Equipment, Machinery and Furnishings	(2,506,194)	(205,414)	-	-	(2,711,608)
Total Accumulated Depreciation	(10,521,944)	(706,199)	-	-	(11,228,143)
Total Capital Assets Being Depreciated, Net	7,885,388	(381,361)	-	1,103,947	8,607,974
Capital Assets, Net	<u>\$ 8,370,652</u>	<u>\$ 1,990,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,360,869</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 50,935
Public Safety	150,099
Public Works	294,269
Parks and Recreation	210,896
	<u>706,199</u>
Total Depreciation Expense	<u>\$ 706,199</u>

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS (Continued)

	Balance at 1/1/2024	Additions	Disposals	Transfers	Balance at 12/31/2024
<i>Business-Type Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 54,788	\$ -	\$ -	\$ -	\$ 54,788
Construction In Progress	442,109	28,905	-	(471,014)	-
Total Capital Assets not Being Depreciated	496,897	28,905	-	(471,014)	54,788
Capital Assets Being Depreciated					
Buildings and Improvements	5,016,483	-	-	-	5,016,483
Infrastructure	5,440,132	73,154	-	-	5,513,286
Equipment, Machinery and Furnishings	1,069,471	39,989	-	471,014	1,580,474
Total Capital Assets Being Depreciated	11,526,086	113,143	-	471,014	12,110,243
Less: Accumulated Depreciation					
Buildings and Improvements	(2,659,184)	(120,601)	-	-	(2,779,785)
Infrastructure	(3,728,246)	(147,199)	-	-	(3,875,445)
Equipment, Machinery and Furnishings	(765,292)	(83,894)	-	-	(849,186)
Total Accumulated Depreciation	(7,152,722)	(351,694)	-	-	(7,504,416)
Total Capital Assets Being Depreciated, Net	4,373,364	(238,551)	-	471,014	4,605,827
Capital Assets, Net	<u>\$ 4,870,261</u>	<u>\$ (209,646)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,660,615</u>

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All debt set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2024, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
03/15	475,000	\$25,000 - \$40,000	2.00 - 3.40%	12/30	\$ 225,000
07/19	545,000	\$45,000 - \$55,000	2.10 - 3.00%	02/31	365,000
08/21	715,000	\$40,000 - \$55,000	0.85 - 2.00%	02/37	630,000
06/22	570,000	\$30,000 - \$50,000	3.35 - 4.00%	02/37	505,000
06/24	600,000	\$15,000 - \$55,000	5.00%	12/39	600,000
07/24	137,500	\$13,143 - \$14,374	1.00%	07/34	137,500
Total Governmental Activities Bonds Payable					<u>\$ 2,462,500</u>

Financing Arrangement					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
01/20	\$ 223,016	\$15,000 - \$54,001	3.85%	01/27	<u>\$ 109,263</u>

At December 31, 2024, the asset acquired via the financing arrangement above has an original cost of \$266,756 and accumulated depreciation of \$65,577, for a net carry value of \$201,179. This asset serves as collateral under the financing arrangement.

Business-Type Activities

General Obligation Revenue Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/06	\$ 3,060,114	\$70,000 - \$173,000	1.07%	08/26	\$ 344,000
10/22	373,000	\$67,000 - \$80,000	3.25%	02/28	306,000
Total Business-Type Activities Bonds Payable					<u>\$ 650,000</u>

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2024:

Type of Debt	Balance 01/01/24	Additions	Deductions	Balance 12/31/24	Amounts Due Within One Year
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 1,905,000	\$ 737,500	\$ (180,000)	\$ 2,462,500	\$ 188,143
Unamortized Bond Premium	19,950	63,371	(5,894)	77,427	-
G.O. Note	19,000	-	(19,000)	-	-
Financing Arrangement	135,367	-	(26,104)	109,263	27,109
Compensated Absences*	131,636	10,770	-	142,406	-
Total	<u>\$ 2,210,953</u>	<u>\$ 811,641</u>	<u>\$ (230,998)</u>	<u>\$ 2,791,596</u>	<u>\$ 215,252</u>
<i>Business-Type Activities:</i>					
G.O. Revenues Bonds	\$ 886,000	\$ -	\$ (236,000)	\$ 650,000	\$ 244,000
Compensated Absences*	57,690	8,864	-	66,554	-
Total	<u>\$ 943,690</u>	<u>\$ 8,864</u>	<u>\$ (236,000)</u>	<u>\$ 716,554</u>	<u>\$ 244,000</u>

* The opening balance for compensated absences has been revised to reflect the impact of the adoption of GASB 101. See additional information at Note 5.C.

Governmental activity debt is typically funded through Debt Service Funds. Business-Type activity debt is typically funded through the Water Fund.

Annual Debt Service Requirements

At December 31, 2024, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 188,143	\$ 91,984	\$ 280,127
2026	203,274	73,005	276,279
2027	208,407	67,436	275,843
2028	218,541	61,557	280,098
2029	223,675	54,922	278,597
2030-2034	865,460	178,790	1,044,250
2035-2039	555,000	53,000	608,000
Totals	<u>\$ 2,462,500</u>	<u>\$ 580,694</u>	<u>\$ 3,043,194</u>

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Years Ending December 31,	Governmental Activities		
	Financing Arrangement		
	Principal	Interest	Total
2025	\$ 27,109	\$ 4,207	\$ 31,316
2026	28,154	3,163	31,317
2027	54,000	2,078	56,078
Totals	<u>\$ 109,263</u>	<u>\$ 9,448</u>	<u>\$ 118,711</u>

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 244,000	\$ 12,440	\$ 256,440
2026	248,000	8,205	256,205
2027	78,000	3,867	81,867
2028	80,000	1,300	81,300
Totals	<u>\$ 650,000</u>	<u>\$ 25,812</u>	<u>\$ 675,812</u>

Interest expense totals \$82,899 in the Statement of Activities (included in the Debt Service and Water lines). Interest expenditures total \$54,939 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$15,165 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2024:

Major Funds	Transfers Out	Transfers In			
		Major Funds		Nonmajor Funds	Total
		General	Debt Service	Governmental	
General	\$ 62,632	\$ -	\$ 62,632	\$ -	\$ 62,632
Liquor	300,000	300,000	-	-	300,000
	362,632	300,000	62,632	-	362,632
Nonmajor Funds					
Governmental	121,239	8,000	101,739	11,500	121,239
Total	<u>\$ 483,871</u>	<u>\$ 308,000</u>	<u>\$ 164,371</u>	<u>\$ 11,500</u>	<u>\$ 483,871</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. INTERFUND TRANSACTIONS AND BALANCES (Continued)

Interfund balances consist of the following at December 31, 2024.

Short-Term Balances		Amount	Purpose
Due To Fund	Due From Fund		
General	Debt Service	\$ 35,362	Eliminate deficit cash balance at year-end.
General	Airport Road Project	36,055	Eliminate deficit cash balance at year-end.
General	TIF District No. 2-10	500	Eliminate deficit cash balance at year-end.
General	TIF District No. 4-10	88,184	Eliminate deficit cash balance at year-end.
General	EDA Fund	107,141	Eliminate deficit cash balance at year-end.
Total Interfund Balances		267,242	
Governmental Fund Elimination		<u>(267,242)</u>	
Total Government-Wide Internal Balances		<u>\$ -</u>	

Interfund balances will be repaid as cashflows become available from future grant revenues, property taxes, or tax increment dollars.

2.F. FUND EQUITY

At December 31, 2024, governmental fund equity consists of the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Nonspendable - Prepays	\$ 61,167	\$ -	\$ -	\$ -
Nonspendable - Fire Truck Prepaid	190,039	-	-	-
Nonspendable - Lease Receivables (Net)	57	-	-	-
Assigned for Fire Truck Capital Purchase	-	-	725,905	-
Unassigned	-	-	-	1,333,889
Total General Fund Balance	<u>\$ 251,263</u>	<u>\$ -</u>	<u>\$ 725,905</u>	<u>\$ 1,333,889</u>
Debt Service Fund				
Restricted for Debt Service	<u>\$ -</u>	<u>\$ 666,558</u>	<u>\$ -</u>	<u>\$ -</u>
Airport Road Project Fund				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,055)</u>
Nonmajor Governmental Funds				
Restricted for Economic Development Loans	\$ -	\$ 62,181	\$ -	\$ -
Restricted for Police Forfeiture Enforcement	-	8,891	-	-
Restricted for Allowable Charitable Gambling Uses	-	42,133	-	-
Assigned for Park Improvements	-	-	306,107	-
Assigned for Youth Safety	-	-	2,127	-
Assigned for City Events	-	-	13,920	-
Unassigned	-	-	-	(200,168)
Total Nonmajor Governmental Funds Balance	<u>\$ -</u>	<u>\$ 113,205</u>	<u>\$ 322,154</u>	<u>\$ (200,168)</u>

**CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. FUND EQUITY (Continued)

Additionally, nonmajor funds with deficit fund balances at December 31, 2024 are as follows:

Fund	Fund Deficit
Nonmajor Governmental Funds	
EDA Fund	\$ 107,141
TIF District No. 4-10 Fund	\$ 92,527
TIF District No. 2-10 Fund	\$ 500

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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.

General Employees Retirement Plan (General 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.

Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police and 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 MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 percent 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 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent 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 percent of the cost-of-living-adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. 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.

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 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent 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 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. 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 prorated increase.

Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024 were \$83,671. The City's contributions were equal to the required contributions as set by State Statute.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024 were \$86,289. The City's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$505,537 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 \$13,072.

City's proportionate share of the net pension liability:	\$505,537
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State of Minnesota's proportionate share of the net pension liability associated with the City	<u>13,072</u>
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Total	<u>\$518,609</u>
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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 0.0137 percent at the end of the measurement period and 0.0137 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$25,489 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$350 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$23,260 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 47,453	\$ -
Changes in actuarial assumptions	2,383	191,598
Difference between projected and actual investment earnings	-	140,837
Changes in proportionate share	28,340	1,069
Contributions paid to PERA subsequent to the measurement date	41,568	-
Total Deferred Outflows/Inflows	<u>\$ 119,744</u>	<u>\$ 333,504</u>

The \$41,568 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense
2025	\$ (132,752)
2026	\$ (21,502)
2027	\$ (62,327)
2028	\$ (38,747)

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$466,251 for its proportionate share of the 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 the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0354 percent at the end of the measurement period and 0.0374 percent for the beginning of the period.

The State of Minnesota 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 meets 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, \$9 million supplemental state aid 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 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$17,773.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 **DEFINED BENEFIT PENSION PLANS – STATEWIDE** (Continued)

City's proportionate share of the net pension liability:	\$ 466,251
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>17,773</u>
Total	\$ 484,024

For the year ended December 31, 2024, the City recognized pension expense of \$52,068 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,988 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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$10,065 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 185,906	\$ -
Changes in actuarial assumptions	511,071	724,493
Difference between projected and actual investment earnings	-	137,799
Changes in proportionate share	40,389	45,003
Contributions paid to PERA subsequent to the measurement date	45,118	-
Total Deferred Outflows/Inflows	\$ 782,484	\$ 907,295

The \$45,118 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:

Year ended December 31:	Pension Expense
2025	\$ (24,592)
2026	\$ 108,289
2027	\$ (70,068)
2028	\$ (188,662)
2029	\$ 5,104

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024, including amortization of deferral balances, was negative \$33,669.

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

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 7.0 percent. The 7.0 percent 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 7.0 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.0 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent 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 are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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

**CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- There were no changes made to actuarial assumptions during 2024.

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 percent 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 percent 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).

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net 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.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Liability Sensitivity

The following table 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	8.00%	\$	13,103	8.00%	\$ (55,702)
Current Discount Rate	7.00%	\$	505,537	7.00%	\$ 466,251
1% Decrease in Discount Rate	6.00%	\$	1,104,174	6.00%	\$ 1,101,843

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.

NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN

Plan Description

The Milaca Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered 22 active firefighters and 11 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with either five or ten years of service, depending on the vesting schedule selected. Plan provisions include a pro-rated vesting schedule that increases from: (1) 5 years at 40 percent through 20 years at 100 percent, (2) 5 years at 40 percent through 10 years at 100 percent, (3) 10 years at 40 percent through 20 years at 100 percent.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. The State of Minnesota contributed \$65,577 in fire state aid to the plan for the year (measurement period) ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Plan for the year ended December 31, 2024 were \$0.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)

Pension Costs

At December 31, 2024, the City reported a net pension asset of \$335,818 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department.

The following table presents the changes in net pension asset during the measurement period.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance Beginning of Period - 12/31/22	\$ 742,979	\$ 933,020	\$ (190,041)
Service Cost	43,069	-	43,069
Interest on Pension Liability	40,429	-	40,429
Actuarial Experience (Gains)/Losses	(36,391)	-	(36,391)
Projected Investment Earnings	-	51,230	(51,230)
Contributions (State)	-	65,577	(65,577)
Asset (Gain)/Loss	-	75,577	(75,577)
Benefit Payments	(224,464)	(224,464)	-
Adjustment to Initial Asset Transfer	-	500	(500)
Net Changes	<u>(177,357)</u>	<u>(31,580)</u>	<u>(145,777)</u>
Balance End of Period - 12/31/23	<u>\$ 565,622</u>	<u>\$ 901,440</u>	<u>\$ (335,818)</u>

For the year ended December 31, 2024, the City recognized pension expense of negative \$74,978.

At December 31, 2024, the City of Milaca reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 69,732
Difference between projected and actual investment earnings	<u>44,603</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 44,603</u>	<u>\$ 69,732</u>

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

Year ended December 31:	Pension Expense
2025	\$ (11,679)
2026	\$ 8,489
2027	\$ 17,437
2028	\$ (18,148)
2029	\$ (3,033)
Thereafter	\$ (18,195)

**CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability measured at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or when fully vested
- Investment rate of return of 6.0 percent

No changes in actuarial assumptions were made during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made at a rate equal to the actuarially determined contribution rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net Pension Asset	\$ 309,584	\$ 335,818	\$ 360,825

Plan Investments

Investment Policy

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

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

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

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)

Asset Allocation

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

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

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

Description of significant investment policy changes during the year

The SBI made no significant changes to their investment policy during calendar year 2023 for Volunteer Firefighter Fund.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of December 31, 2023 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.

NOTE 5 OTHER NOTES

5.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 OTHER NOTES (Continued)

5.B. TAX INCREMENT FINANCING DISTRICT

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

During the year ended December 31, 2024, the taxes abated under the City's TIF programs totaled \$49,127. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates \$129,160 as of December 31, 2024. No other commitments were made by the City as part of these agreements.

5.C. ADJUSTMENTS AND RESTATEMENTS

During the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. The effects of this change in accounting principle are summarized in the table below in the "Change in Accounting Principle" column.

	Net Position 12/31/2023 As Previously Reported	Change in Accounting Principle	Net Position 12/31/2023 As Adjusted or Restated
Government-Wide			
Governmental Activities	\$ 8,679,556	\$ (79,371)	\$ 8,600,185
Business-Type Activities	<u>6,521,214</u>	<u>(32,276)</u>	<u>6,488,938</u>
Total Government-Wide	<u>\$ 15,200,770</u>	<u>\$ (111,647)</u>	<u>\$ 15,089,123</u>
Proprietary Funds			
Major Funds:			
Water Fund	\$ 2,951,105	\$ (10,114)	\$ 2,940,991
Sewer Fund	1,873,960	(10,114)	1,863,846
Liquor Fund	<u>1,696,149</u>	<u>(12,048)</u>	<u>1,684,101</u>
Total Proprietary Funds	<u>\$ 6,521,214</u>	<u>\$ (32,276)</u>	<u>\$ 6,488,938</u>
Fiduciary Funds			
Custodial Fund	<u>\$ 82,950</u>	<u>\$ (3,415)</u>	<u>\$ 79,535</u>

5.D. COMMITMENTS

Construction Contracts

The City has entered into a contract to purchase a pumper firetruck. The remaining commitment under this contract at December 31, 2024 totals \$725,905.

CITY OF MILACA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 OTHER NOTES (Continued)

5.E. DEFINED CONTRIBUTION PLAN

The City provides eligible employees future retirement benefits through a voluntary retirement savings plan (the Plan) authorized under Section 457 of the internal revenue code. The City has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The City Council acts as the plan administrator, but the City is not involved with the investment decisions for plan assets. Eligible employees of the City may begin participating in the Plan commencing on the date of their employment by electing to have a percentage of their pay contributed to the Plan. The City does not make employer contributions.

5.F. CONDUIT DEBT OBLIGATIONS

The City has issued Minnesota Revenue Bonds, Series 2013, 2016, 2019, and 2020, to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property of the private-sector entities and are payable solely from the revenues of the private-sector entities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entities secured by the bond issuances. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2024, such notes are outstanding with an aggregate principal amount payable of approximately \$13,793,450.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILACA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 783,677	\$ 771,439	\$ (12,238)
Franchise Taxes	8,825	8,612	(213)
Hotel/Motel Taxes	950	416	(534)
Total Taxes	793,452	780,467	(12,985)
Special Assessments	7,300	4,155	(3,145)
Licenses and Permits	62,450	47,731	(14,719)
Intergovernmental Revenue			
State Revenue			
Local Government Aid	1,048,215	1,048,215	-
Market Value Credit	350	588	238
PERA Aid	2,500	-	(2,500)
Transportation	56,936	40,293	(16,643)
Police and Fire Aid	68,000	149,621	81,621
Other State Grants and Aids	350,750	270,482	(80,268)
County Revenue			
Other County Grants and Aids	-	1,800	1,800
Total Intergovernmental Revenue	1,526,751	1,510,999	(15,752)
Charges for Services			
General Government	7,300	6,321	(979)
Police and Fire Contracts	160,346	169,488	9,142
Streets and Highways	4,000	-	(4,000)
Parks and Recreation	22,000	31,230	9,230
Airports	32,875	22,862	(10,013)
Total Charges for Services	226,521	229,901	3,380
Fines and Forfeitures	14,000	14,961	961
Miscellaneous Revenue			
Investment Earnings	90,850	201,560	110,710
Sale of Assets	-	5,241	5,241
Refunds and Reimbursements	10,000	34,475	24,475
Contributions and Donations	110,000	186,292	76,292
Other Miscellaneous	10,000	25,477	15,477
Total Miscellaneous Revenue	220,850	453,045	232,195
TOTAL REVENUES	2,851,324	3,041,259	189,935

CITY OF MILACA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
EXPENDITURES			
General Government			
Mayor and Council	19,150	20,014	864
Administration and Finance	167,685	161,104	(6,581)
Other General Government	417,067	421,670	4,603
Capital Outlay	19,200	40,209	21,009
Total General Government	623,102	642,997	19,895
Public Safety			
Police			
Current	885,542	879,650	(5,892)
Capital Outlay	132,769	154,911	22,142
Fire			
Current	222,490	281,268	58,778
Capital Outlay	555,000	55,601	(499,399)
Other Public Safety			
Current	45,000	34,055	(10,945)
Total Public Safety	1,840,801	1,405,485	(435,316)
Public Works			
Street Maintenance and Storm Sewers	304,759	202,335	(102,424)
Snow and Ice Removal	7,000	-	(7,000)
Street Engineering	-	5,991	5,991
Street Lighting	40,000	36,728	(3,272)
Capital Outlay - Street Construction	818,795	730,351	(88,444)
Capital Outlay - Other	20,000	23,325	3,325
Total Public Works	1,190,554	998,730	(191,824)
Culture and Recreation			
Libraries			
Current	26,950	22,680	(4,270)
Parks and Recreation			
Current	199,963	188,291	(11,672)
Capital Outlay	25,000	43,886	18,886
Total Culture and Recreation	251,913	254,857	2,944
Miscellaneous Expenditures			
Airports			
Current	89,084	82,921	(6,163)
Capital Outlay	17,800	203,738	185,938
Total Miscellaneous Expenditures	106,884	286,659	179,775

CITY OF MILACA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
Debt Service			
Interest and Other Fiscal Charges	-	11,760	11,760
TOTAL EXPENDITURES	<u>4,013,254</u>	<u>3,600,488</u>	<u>(412,766)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,161,930)	(559,229)	602,701
OTHER FINANCING SOURCES (USES)			
Borrowing			
Bonds Issued, Net	862,000	663,371	(198,629)
Transfers			
From Other Funds	308,000	308,000	-
To Other Funds	<u>(31,316)</u>	<u>(62,632)</u>	<u>(31,316)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,138,684</u>	<u>908,739</u>	<u>(229,945)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (23,246)</u>	349,510	<u>\$ 372,756</u>
FUND BALANCES - BEGINNING		<u>1,961,547</u>	
FUND BALANCE - ENDING		<u>\$ 2,311,057</u>	

**CITY OF MILACA, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS**

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City'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)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Pension Plan</i>							
2024	0.0137%	\$ 505,537	\$ 13,072	\$ 518,609	\$ 1,101,587	47.1%	89.1%
2023	0.0137%	\$ 766,089	\$ 21,152	\$ 787,241	\$ 1,047,347	75.2%	83.1%
2022	0.0132%	\$ 1,045,444	\$ 30,453	\$ 1,075,897	\$ 983,987	109.3%	76.7%
2021	0.0124%	\$ 529,536	\$ 16,198	\$ 545,734	\$ 893,000	61.1%	79.1%
2020	0.0134%	\$ 803,391	\$ 24,750	\$ 828,141	\$ 955,427	86.7%	79.1%
2019	0.0132%	\$ 729,798	\$ 22,666	\$ 752,464	\$ 938,171	80.2%	80.2%
2018	0.0120%	\$ 655,771	\$ -	\$ 655,771	\$ 842,071	77.9%	79.5%
2017	0.0117%	\$ 746,920	\$ -	\$ 746,920	\$ 773,727	96.5%	75.9%
2016	0.0123%	\$ 998,699	\$ -	\$ 998,699	\$ 748,344	133.5%	68.9%
2015	0.0123%	\$ 637,450	\$ -	\$ 637,450	\$ 724,130	88.0%	78.2%
<i>Public Employees Police and Fire Pension Plan</i>							
2024	0.0354%	\$ 466,251	\$ 17,773	\$ 484,024	\$ 513,944	94.2%	90.2%
2023	0.0374%	\$ 645,849	\$ 26,011	\$ 671,860	\$ 509,169	132.0%	86.5%
2022	0.0365%	\$ 1,588,336	\$ 69,397	\$ 1,657,733	\$ 443,734	373.6%	70.5%
2021	0.0328%	\$ 253,181	\$ 11,391	\$ 264,572	\$ 387,836	68.2%	87.2%
2020	0.0363%	\$ 478,473	\$ 11,286	\$ 489,759	\$ 409,633	119.6%	87.2%
2019	0.0371%	\$ 394,967	\$ -	\$ 394,967	\$ 391,312	100.9%	89.3%
2018	0.0340%	\$ 362,405	\$ -	\$ 362,405	\$ 367,843	98.5%	78.5%
2017	0.0320%	\$ 432,038	\$ -	\$ 432,038	\$ 342,568	126.1%	75.9%
2016	0.0350%	\$ 1,404,611	\$ -	\$ 1,404,611	\$ 334,240	420.2%	63.8%
2015	0.0350%	\$ 397,682	\$ -	\$ 397,682	\$ 311,900	127.5%	78.7%

CITY OF MILACA, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2024	\$ 83,671	\$ 83,671	\$ -	\$ 1,115,613	7.50%
2023	\$ 80,016	\$ 80,016	\$ -	\$ 1,066,880	7.50%
2022	\$ 77,693	\$ 77,693	\$ -	\$ 1,035,907	7.50%
2021	\$ 67,181	\$ 67,181	\$ -	\$ 895,747	7.50%
2020	\$ 69,896	\$ 69,896	\$ -	\$ 931,947	7.50%
2019	\$ 75,279	\$ 75,279	\$ -	\$ 1,003,718	7.50%
2018	\$ 63,155	\$ 63,155	\$ -	\$ 842,718	7.49%
2017	\$ 58,030	\$ 58,030	\$ -	\$ 773,727	7.50%
2016	\$ 56,126	\$ 56,126	\$ -	\$ 748,334	7.50%
2015	\$ 53,290	\$ 53,290	\$ -	\$ 724,130	7.36%
<i>Public Employees Police and Fire Pension Plan</i>					
2024	\$ 86,289	\$ 86,289	\$ -	\$ 487,508	17.70%
2023	\$ 94,965	\$ 94,965	\$ -	\$ 536,525	17.70%
2022	\$ 85,384	\$ 85,384	\$ -	\$ 482,395	17.70%
2021	\$ 69,066	\$ 69,066	\$ -	\$ 390,203	17.70%
2020	\$ 75,386	\$ 75,386	\$ -	\$ 425,910	17.70%
2019	\$ 67,143	\$ 67,143	\$ -	\$ 396,124	16.95%
2018	\$ 59,591	\$ 59,591	\$ -	\$ 367,843	16.20%
2017	\$ 55,496	\$ 55,496	\$ -	\$ 342,568	16.20%
2016	\$ 54,147	\$ 54,147	\$ -	\$ 334,240	16.20%
2015	\$ 50,474	\$ 50,474	\$ -	\$ 311,900	16.18%
<i>Statewide Volunteer Firefighter Plan</i>					
2024	\$ -	\$ -	\$ -	N/A	N/A
2023	\$ -	\$ -	\$ -	N/A	N/A
2022	\$ -	\$ -	\$ -	N/A	N/A
2021	\$ -	\$ -	\$ -	N/A	N/A
2020	\$ -	\$ -	\$ -	N/A	N/A
2019	\$ -	\$ -	\$ -	N/A	N/A

Note: The Volunteer Fire Relief Association schedule is provided prospectively with the City's fiscal year ended December 31, 2019. Additional years will be reported as they become available.

CITY OF MILACA, MINNESOTA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
STATEWIDE VOLUNTEER FIREFIGHTER FUND
LAST TEN YEARS (Presented Prospectively)

	2023	2022	2021	2020	2019
Changes in Total Pension Liability (TPL)					
Balance at January 1st	\$ 742,979	\$ 539,080	\$ 490,050	\$ 477,815	\$ 454,108
Service Cost	43,069	43,069	33,510	36,404	25,906
Interest on the TPL	40,429	34,929	31,262	28,222	28,582
Assumption Changes	(36,391)	(37,261)	(10,682)	(48,721)	(23,521)
Changes in Benefit Level	-	163,162	-	84,030	-
Benefit Payments	(224,464)	-	(5,060)	(87,700)	(7,260)
Balance at December 31st	<u>\$ 565,622</u>	<u>\$ 742,979</u>	<u>\$ 539,080</u>	<u>\$ 490,050</u>	<u>\$ 477,815</u>
Plan Fiduciary Net Position (PFNP)					
Balance at January 1st	\$ 933,020	\$ 1,029,847	\$ 880,539	\$ 816,759	\$ 655,600
Fire State Aid	65,577	57,530	54,793	51,210	47,841
Asset Transfer/Other	500	-	-	-	-
Projected Investment Income	126,807	(153,393)	86,886	101,126	121,399
Gain or Loss	-	-	13,700	-	-
Total Additions	192,884	(95,863)	155,379	152,336	169,240
Benefit Payments	(224,464)	-	(5,060)	(87,700)	(7,260)
Administrative Expenses	-	(964)	(1,011)	(856)	(821)
Total Reductions	(224,464)	(964)	(6,071)	(88,556)	(8,081)
Balance at December 31st	<u>\$ 901,440</u>	<u>\$ 933,020</u>	<u>\$ 1,029,847</u>	<u>\$ 880,539</u>	<u>\$ 816,759</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (335,818)</u>	<u>\$ (190,041)</u>	<u>\$ (490,767)</u>	<u>\$ (390,489)</u>	<u>\$ (338,944)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	159%	126%	191%	180%	171%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2019 (which coincided with the City's fiscal year-end at that time) and is intended to show a ten year trend. Additional years will be reported as they become available.

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

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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 percent 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 percent to 6.50 percent, 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 MILACA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent 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.

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 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent 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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent 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 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2024 Changes

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

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 percent 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 percent 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 percent to 7.00 percent.
- The single discount rate was changed from 5.4 percent to 7.0 percent.

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 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent 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 6.5 percent to 5.40 percent.

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 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- 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.

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

- 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 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

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

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 percent 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 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- 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 3.00 percent 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 65.00 percent to 60.00 percent.
- 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 postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

NOTE 3 DEFINED BENEFIT PLAN – FIRE RELIEF ASSOCIATION

2024 Changes

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2024.

2023 Reporting Period Changes

During the City's reporting period ending December 31, 2023, the City began reporting pension balances and activity using actuarial reports for the measurement period ending one year prior to the City's current reporting period. Prior to this change, the City's reporting period had coincided with the measurement period date.

**CITY OF MILACA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 3 DEFINED BENEFIT PLAN – FIRE RELIEF ASSOCIATION (Continued)

2022 Changes

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2022.

2021 Changes

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2021.

2020 Changes

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2020.

2019 Changes

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2019.

SUPPLEMENTARY INFORMATION

**CITY OF MILACA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Capital Project Funds				Special Revenue Funds		
	All Parks Improvement Fund	Rec Park Improvement Fund	Veterans Memorial	Capital Projects Fund	EDA Fund	Youth Safety	Charitable Gambling
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 191,004	\$ 123,582	\$ 2,121	\$ -	\$ -	\$ 2,127	\$ 42,661
LIABILITIES							
Accounts Payable	\$ 10,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528
Due to Other Funds	-	-	-	-	107,141	-	-
Total Liabilities	10,600	-	-	-	107,141	-	528
FUND BALANCES							
Restricted	-	-	-	-	-	-	42,133
Assigned	180,404	123,582	2,121	-	-	2,127	-
Unassigned	-	-	-	-	(107,141)	-	-
Total Fund Balances	180,404	123,582	2,121	-	(107,141)	2,127	42,133
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 191,004</u>	<u>\$ 123,582</u>	<u>\$ 2,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,127</u>	<u>\$ 42,661</u>

CITY OF MILACA, MINNESOTA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Special Revenue Funds			Debt Service Funds		Total
	Revolving Loan	Police Forfeitures	City Event	TIF District No. 4-10	TIF District No. 2-10	Nonmajor Funds
ASSETS						
Cash, Cash Equivalents, and Investments	\$ 62,181	\$ 8,891	\$ 13,920	\$ -	\$ -	\$ 446,487
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ 4,343	\$ -	\$ 15,471
Due to Other Funds	-	-	-	88,184	500	195,825
Total Liabilities	-	-	-	92,527	500	211,296
FUND BALANCES						
Restricted	62,181	8,891	-	-	-	113,205
Assigned	-	-	13,920	-	-	322,154
Unassigned	-	-	-	(92,527)	(500)	(200,168)
Total Fund Balances	62,181	8,891	13,920	(92,527)	(500)	235,191
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,181</u>	<u>\$ 8,891</u>	<u>\$ 13,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,487</u>

CITY OF MILACA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Capital Project Funds				Special Revenue Funds		
	All Parks Improvement Fund	Rec Park Improvement Fund	Veterans Memorial	Capital Projects Fund	EDA Fund	Youth Safety	Charitable Gambling
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,762
Tax Increment	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-
Investment Income	3,877	2,634	18	-	508	43	921
Miscellaneous	-	-	900	-	1,000	-	-
TOTAL REVENUES	<u>3,877</u>	<u>2,634</u>	<u>918</u>	<u>-</u>	<u>1,508</u>	<u>43</u>	<u>31,683</u>
EXPENDITURES							
Current:							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Parks and Recreation	-	1,000	-	-	-	-	11,124
Economic Development	-	-	-	-	-	-	-
Capital Outlay	<u>10,600</u>	<u>-</u>	<u>276</u>	<u>-</u>	<u>291,848</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,600</u>	<u>1,000</u>	<u>276</u>	<u>-</u>	<u>291,848</u>	<u>-</u>	<u>11,124</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,723)	1,634	642	-	(290,340)	43	20,559
OTHER FINANCING SOURCES (USES)							
Debt Issuance	-	-	-	-	137,500	-	-
Transfers In	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>(11,500)</u>	<u>-</u>	<u>(101,739)</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(11,500)</u>	<u>-</u>	<u>(101,739)</u>	<u>137,500</u>	<u>-</u>	<u>(8,000)</u>
NET CHANGE IN FUND BALANCES	(6,723)	(9,866)	642	(101,739)	(152,840)	43	12,559
FUND BALANCES - BEGINNING	<u>187,127</u>	<u>133,448</u>	<u>1,479</u>	<u>101,739</u>	<u>45,699</u>	<u>2,084</u>	<u>29,574</u>
FUND BALANCES - ENDING	<u>\$ 180,404</u>	<u>\$ 123,582</u>	<u>\$ 2,121</u>	<u>\$ -</u>	<u>\$ (107,141)</u>	<u>\$ 2,127</u>	<u>\$ 42,133</u>

CITY OF MILACA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds			Debt Service Funds		Total
	Revolving Loan	Police Forfeitures	City Event	TIF District No. 4-10	TIF District No. 2-10	Nonmajor Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,762
Tax Increment	-	-	-	54,586	-	54,586
Fines	-	9,000	-	-	-	9,000
Investment Income	1,262	167	248	-	-	9,678
Miscellaneous	-	-	550	-	-	2,450
TOTAL REVENUES	1,262	9,167	798	54,586	-	106,476
EXPENDITURES						
Current:						
General Government	-	-	-	1,500	500	2,000
Public Safety	-	10,560	-	-	-	10,560
Parks and Recreation	-	-	8,507	-	-	20,631
Economic Development	-	-	-	49,219	-	49,219
Capital Outlay	-	-	-	-	-	302,724
TOTAL EXPENDITURES	-	10,560	8,507	50,719	500	385,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,262	(1,393)	(7,709)	3,867	(500)	(278,658)
OTHER FINANCING SOURCES (USES)						
Debt Issuance	-	-	-	-	-	137,500
Transfers In	-	-	11,500	-	-	11,500
Transfers Out	-	-	-	-	-	(121,239)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	11,500	-	-	27,761
NET CHANGE IN FUND BALANCES	1,262	(1,393)	3,791	3,867	(500)	(250,897)
FUND BALANCES - BEGINNING	60,919	10,284	10,129	(96,394)	-	486,088
FUND BALANCES - ENDING	\$ 62,181	\$ 8,891	\$ 13,920	\$ (92,527)	\$ (500)	\$ 235,191

**CITY OF MILACA, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2024**

	2010 GO	2012 GO	2012	2014 Fire Hall	2015 GO Park	2017 Library
	Refunding Debt	Bonds	Equipment Certificate	Improvement	Debt	Lease Refunding
ASSETS						
Cash, Cash Equivalents, and Investments	\$ -	\$ 192,297	\$ 1,034	\$ 40,389	\$ 30,572	\$ 143,386
Property Taxes Receivable	-	-	-	-	2,937	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 192,297</u>	<u>\$ 1,034</u>	<u>\$ 40,389</u>	<u>\$ 33,509</u>	<u>\$ 143,386</u>
LIABILITIES						
Due to Other Funds	\$ 35,175	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Property Taxes	-	-	-	-	2,395	-
FUND BALANCES						
Restricted	-	192,297	1,034	40,389	31,114	143,386
Unassigned	(35,175)	-	-	-	-	-
Total Fund Balance	<u>(35,175)</u>	<u>192,297</u>	<u>1,034</u>	<u>40,389</u>	<u>31,114</u>	<u>143,386</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>	<u>\$ 192,297</u>	<u>\$ 1,034</u>	<u>\$ 40,389</u>	<u>\$ 33,509</u>	<u>\$ 143,386</u>

CITY OF MILACA, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET (Continued)
DEBT SERVICE FUND
DECEMBER 31, 2024

	2019	2020 Loader	2021 GO	2022 GO	2024A GO		
	Improvement	Equipment	Street Project	Street Project	Street	Intrafund	Total Debt
	Debt	Lease	Bonds	Bonds	Reconstruction	Activity	Service Fund
					Bonds		
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 111,437	\$ -	\$ 116,224	\$ 63,698	\$ -	\$ -	\$ 699,037
Property Taxes Receivable	4,624	-	4,275	3,782	-	-	15,618
TOTAL ASSETS	<u>\$ 116,061</u>	<u>\$ -</u>	<u>\$ 120,499</u>	<u>\$ 67,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,655</u>
LIABILITIES							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 187	\$ -	\$ 35,362
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue:							
Property Taxes	3,770	-	3,486	3,084	-	-	12,735
FUND BALANCES							
Restricted	112,291	-	117,013	64,396	-	(35,362)	666,558
Unassigned	-	-	-	-	(187)	35,362	-
Total Fund Balance	<u>112,291</u>	<u>-</u>	<u>117,013</u>	<u>64,396</u>	<u>(187)</u>	<u>-</u>	<u>666,558</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 116,061</u>	<u>\$ -</u>	<u>\$ 120,499</u>	<u>\$ 67,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,655</u>

CITY OF MILACA, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	2010 GO	2012 GO	2012	2014 Fire Hall	2015 GO Park	2017 Library
	Refunding Debt	Bonds	Equipment Certificate	Improvement	Debt	Lease Refunding
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 40,952	\$ -
Charges for Services	-	-	-	18,317	-	-
Investment Income (Loss)	-	-	-	-	635	-
Lease Interest	-	-	-	2,721	-	-
TOTAL REVENUES	-	-	-	21,038	41,587	-
EXPENDITURES						
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal	-	30,000	-	19,000	30,000	-
Interest and Other Charges	-	323	-	380	8,150	-
TOTAL EXPENDITURES	-	30,323	-	19,380	38,150	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(30,323)	-	1,658	3,437	-
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	(30,323)	-	1,658	3,437	-
FUND BALANCE - BEGINNING	(35,175)	222,620	1,034	38,731	27,677	143,386
FUND BALANCE - ENDING	<u>\$ (35,175)</u>	<u>\$ 192,297</u>	<u>\$ 1,034</u>	<u>\$ 40,389</u>	<u>\$ 31,114</u>	<u>\$ 143,386</u>

CITY OF MILACA, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	2019	2020 Loader	2021 GO	2022 GO	2024A GO		
	Improvement	Equipment	Street Project	Street Project	Street	Intrafund	Total Debt
	Debt	Lease	Bonds	Bonds	Reconstruction	Activity	Service Fund
					Bonds		
REVENUES							
Taxes	\$ 64,461	\$ -	\$ 59,609	\$ 52,736	\$ -	\$ -	\$ 217,758
Charges for Services	-	-	-	-	-	-	18,317
Investment Income (Loss)	1,083	-	1,106	825	713	-	4,362
Lease Interest	-	-	-	-	-	-	2,721
TOTAL REVENUES	<u>65,544</u>	<u>-</u>	<u>60,715</u>	<u>53,561</u>	<u>713</u>	<u>-</u>	<u>243,158</u>
EXPENDITURES							
Capital Outlay	-	-	-	-	255	-	255
Debt Service:							
Principal	45,000	26,104	45,000	30,000	-	-	225,104
Interest and Other Charges	11,018	5,212	11,215	20,126	645	-	57,069
TOTAL EXPENDITURES	<u>56,018</u>	<u>31,316</u>	<u>56,215</u>	<u>50,126</u>	<u>900</u>	<u>-</u>	<u>282,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,526	(31,316)	4,500	3,435	(187)	-	(39,270)
OTHER FINANCING SOURCES (USES)							
Transfers In	44,904	62,632	56,835	-	-	-	164,371
NET CHANGE IN FUND BALANCE	54,430	31,316	61,335	3,435	(187)	-	125,101
FUND BALANCE - BEGINNING	<u>57,861</u>	<u>(31,316)</u>	<u>55,678</u>	<u>60,961</u>	<u>-</u>	<u>-</u>	<u>541,457</u>
FUND BALANCE - ENDING	<u>\$ 112,291</u>	<u>\$ -</u>	<u>\$ 117,013</u>	<u>\$ 64,396</u>	<u>\$ (187)</u>	<u>\$ -</u>	<u>\$ 666,558</u>

**CITY OF MILACA, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/24	Issued	Paid	Outstanding Balance 12/31/24	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
<u>General Obligation Bonds</u>									
G.O. Refunding Bonds, Series 2012A	8/22/2012	1.00-2.15%	2/1/2024	\$ 845,000	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ -
G.O. Park Improvement Bonds, Series 2015A	3/16/2015	2.00-3.40%	12/15/2030	475,000	255,000	-	30,000	225,000	35,000
G.O. Street Reconstruction Bonds, Series 2019A	7/10/2019	2.10-3.00%	2/1/2031	545,000	410,000	-	45,000	365,000	50,000
G.O. Street Reconstruction Bonds, Series 2021A	8/12/2021	0.85-2.00%	2/1/2037	715,000	675,000	-	45,000	630,000	45,000
G.O. Street Reconstruction Bonds, Series 2022A	6/12/2022	3.35-4.00%	2/1/2037	570,000	535,000	-	30,000	505,000	30,000
G.O. Street Reconstruction Bonds, Series 2024A	6/18/2024	5.00%	12/15/2039	600,000	-	600,000	-	600,000	15,000
G.O. Taxable Tax Abatement Bonds, Series 2024B	7/1/2024	1.00%	7/1/2034	137,500	-	137,500	-	137,500	13,143
<u>Notes Payable</u>									
G.O. Note Payable (Ambulance - ECE Loan)	3/3/2014	1.00%	3/3/2024	190,000	19,000	-	19,000	-	-
<u>Financing Arrangements</u>									
Equipment Financing Arrangement	1/1/2020	3.85%	1/1/2027	<u>223,016</u>	<u>135,367</u>	<u>-</u>	<u>26,104</u>	<u>109,263</u>	<u>27,109</u>
TOTAL GOVERNMENTAL DEBTS				4,300,516	2,059,367	737,500	225,104	2,571,763	215,252
ENTERPRISE INDEBTEDNESS									
<u>General Obligation Bonds</u>									
G.O. Water Revenue Bonds, Series 2022B	10/13/2022	3.25%	2/1/2028	373,000	373,000	-	67,000	306,000	73,000
<u>MN Public Facilities Authority Loan</u>									
G.O. Revenue Bonds, 2006	7/19/2006	1.07%	8/20/2026	<u>3,060,114</u>	<u>513,000</u>	<u>-</u>	<u>169,000</u>	<u>344,000</u>	<u>171,000</u>
TOTAL ENTERPRISE DEBTS				<u>3,433,114</u>	<u>886,000</u>	<u>-</u>	<u>236,000</u>	<u>650,000</u>	<u>244,000</u>
TOTAL INDEBTEDNESS				<u>\$ 7,733,630</u>	<u>\$ 2,945,367</u>	<u>\$ 737,500</u>	<u>\$ 461,104</u>	<u>\$ 3,221,763</u>	<u>\$ 459,252</u>

**CITY OF MILACA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Economic Development Initiative, Community Project		
Funding, and Miscellaneous Grants	14.251	\$ 1,084,689
TOTAL FEDERAL EXPENDITURES		\$ 1,084,689

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Milaca (the City) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the City, it is not intended to and does not present the financial position or changes in financial position of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Subrecipients

The City did not pass any federal funds to subrecipients during the year ended December 31, 2024.

Note 4 - Pass-Through Identifier

The City's pass-through identifying number is unknown.

Note 5 - Indirect Cost Rate

The City did not use an indirect cost rate when calculating federal expenditures.

**OTHER REQUIRED REPORTS
AND SCHEDULES**

**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**

Honorable Mayor and City Council
City of Milaca, Minnesota

We have audited, in accordance with the 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 Milaca (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Milaca's basic financial statements and have issued our report thereon dated June 9, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2024-001 and 2024-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Milaca's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The City of Milaca'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 control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 9, 2025

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Milaca, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Milaca's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the City of Milaca complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co." in dark ink.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 9, 2025

**CITY OF MILACA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
* Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
* Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

Federal Awards

Internal control over major programs:			
* Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
* Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u> No
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> </u>	Yes	<u> X </u> No

Identification of major programs:

<u> ALN(s) </u>	<u> Name of Federal Program or Cluster </u>
<u> 14.251 </u>	<u> Economic Development Initiative, Community Project Funding, and Miscellaneous Grants </u>

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

**CITY OF MILACA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2024-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

Criteria: The City should adopt an internal control structure that properly segregates the various functions of each account cycle. This means no single person should be in a position to both initiate and approved a transaction, as well as have access to the related physical assets involved with the transaction. In other words, an employee should not be in a position to both commit an irregularity and cover it up.

Cause: Limited number of staff members.

Effect: The lack of ideal segregation of duties could expose the City to heightened risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2024-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The City's staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

Effect: The inability to internally prepare the City's financial statements can result in undetected errors in financial reporting.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding within current budgetary constraints.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF MILACA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2024-003	Material Audit Adjustments
<i>Condition:</i>	Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.
<i>Criteria:</i>	The City is required to report financial information in accordance with accounting principles generally accepted in the United States of America.
<i>Cause:</i>	The City failed to record certain year-end adjustments for the purpose of properly presenting accrual balances required under generally accepted accounting principles.
<i>Effect:</i>	The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.
<i>Recommendation:</i>	We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.
<i>Views of Responsible Officials And Planned Corrective Actions:</i>	Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings identified.



**CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS

Finding 2024-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City currently has the following procedures in place:
 - The City's Department Heads review all invoices received. The City Council also reviews the monthly invoices and approves the expenditures.
 - The City utilizes claim listings which are approved by the City Manager.The City will review current procedures and implement additional controls where possible.
3. Official Responsible
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

Finding 2024-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.



**CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2024-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
3. Official Responsible
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2024-001, 2024-002, and 2024-003.