

**CITY OF ATWATER
ATWATER, MINNESOTA
ANNUAL FINANCIAL REPORT
YEAR ENDED
December 31, 2024**

WESTBERG EISCHENS, PLLP
Certified Public Accountants
Willmar, Minnesota 56201

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**CITY OF ATWATER, MINNESOTA
CITY COUNCIL AND ADMINISTRATIVE OFFICIALS
December 31, 2024**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Mark Olson	01/01/2025
Council Member	Deb Mickle	01/01/2025
Council Member	Shane Hagstrom	01/01/2025
Council Member	Anthony Holtz	01/01/2027
Council Member	Brian Carlson	01/01/2027
City Clerk/Treasurer	Goldie Smith	Appointed



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Atwater, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Atwater, 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 of Atwater, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Atwater, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atwater, Minnesota's basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

September 23, 2025

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

This section of the basic financial statements of the City of Atwater (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$8,318,806. Of this amount, \$4,295,131 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$396,970.
- The City's governmental funds reported combined ending fund balances of \$4,458,501, an increase of \$2,412,950 in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the General Fund was \$2,189,243. Of this total amount, approximately 52% has been committed for purposes imposed by formal Council action and 17% has been assigned for specific purposes. Details of the fund balance classifications can be found in Note 1 of the financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Atwater begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health. Over time, increases and decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating.

However, you will need to consider other nonfinancial factors to assess the overall health of the City of Atwater.

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

In the Statement of Net Position and the Statement of Activities, we divided the City into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here, which includes: the police, public works, parks departments, and general administration. These services are mostly financed by property taxes and state grants.

Business-Type Activities – The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's water and sewer funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Atwater's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Atwater's two types of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the City of Atwater's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds – When the City of Atwater charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-41 of this report.

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

Statement of Net Position

The City of Atwater's net position increased from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Condensed Statement of Net Position

	Governmental Activities			Business-Type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Current and other assets	\$ 4,656,346	\$ 2,240,873	\$ 2,415,473	\$ 1,347,102	\$ 1,506,329	\$ (159,227)
Net capital assets	<u>3,952,833</u>	<u>3,806,650</u>	<u>146,183</u>	<u>6,179,243</u>	<u>2,617,857</u>	<u>3,561,386</u>
Total Assets	<u>8,609,179</u>	<u>6,047,523</u>	<u>2,561,656</u>	<u>7,526,345</u>	<u>4,124,186</u>	<u>3,402,159</u>
Deferred outflows related to pension	<u>131,593</u>	<u>165,234</u>	<u>(33,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other liabilities	140,786	64,246	76,540	999,833	235,527	764,306
Long-term liabilities	<u>2,382,246</u>	<u>209,255</u>	<u>2,172,991</u>	<u>4,219,352</u>	<u>1,703,778</u>	<u>2,515,574</u>
Total Liabilities	<u>2,523,032</u>	<u>273,501</u>	<u>2,249,531</u>	<u>5,219,185</u>	<u>1,939,305</u>	<u>3,279,880</u>
Deferred inflows related to pension	<u>206,094</u>	<u>201,701</u>	<u>4,393</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position						
Net investment						
in capital assets	1,679,697	3,777,401	(2,097,704)	1,612,230	741,079	871,151
Restricted	345,168	218,259	126,909	386,580	388,654	(2,074)
Unrestricted	<u>3,986,781</u>	<u>1,741,895</u>	<u>2,244,886</u>	<u>308,350</u>	<u>1,055,148</u>	<u>(746,798)</u>
Total Net Position	<u>\$ 6,011,646</u>	<u>\$ 5,737,555</u>	<u>\$ 274,091</u>	<u>\$ 2,307,160</u>	<u>\$ 2,184,881</u>	<u>\$ 122,279</u>

Governmental Activities

The net position of the City's governmental activities increased by \$274,091. Table 2 presents key elements of the increase.

Business-Type Activities

The net position of the City's business-type activities increased by \$122,279. Operating income was \$35,825 for water and operating loss was \$6,409 for sewer.

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

The following table indicates the changes in net position for the City's governmental and business-type activities:

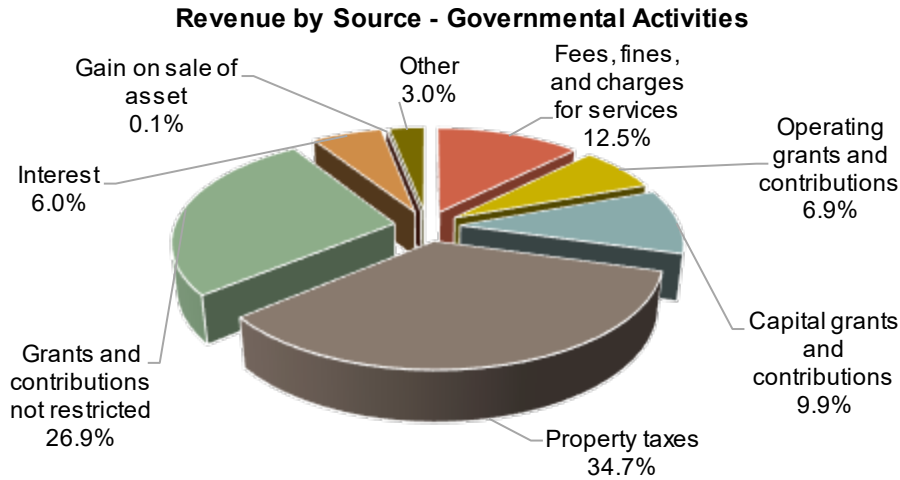
Table 2
Condensed Statement of Activities

	Governmental Activities			Business-Type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program revenues:						
Charges for services	\$ 187,085	\$ 181,923	\$ 5,162	\$ 277,807	\$ 304,948	\$ (27,141)
Operating grants/contributions	103,836	62,665	41,171	-	-	-
Capital grants/contributions	149,955	400,544	(250,589)	7,216	8,440	(1,224)
General revenues:						
Property taxes	523,173	506,080	17,093	92,079	80,065	12,014
Grants and contributions not restricted to specific programs	405,170	362,041	43,129	-	-	-
Interest	91,201	43,322	47,879	31,410	26,021	5,389
Gain (loss) on sale of asset	833	8,268	(7,435)	-	-	-
Other	45,486	35,888	9,598	15,990	-	15,990
Total Revenues	<u>1,506,739</u>	<u>1,600,731</u>	<u>(93,992)</u>	<u>424,502</u>	<u>419,474</u>	<u>5,028</u>
Expenses						
General government	302,095	307,677	(5,582)	-	-	-
Public safety	338,576	300,755	37,821	-	-	-
Streets and highways	320,933	305,770	15,163	-	-	-
Sanitation	8,077	6,663	1,414	-	-	-
Culture and recreation	149,105	126,374	22,731	-	-	-
Interest on long-term debt	113,862	1,911	111,951	-	-	-
Water utility	-	-	-	176,482	174,532	1,950
Sewer utility	-	-	-	125,741	93,212	32,529
Total Expenses	<u>1,232,648</u>	<u>1,049,150</u>	<u>183,498</u>	<u>302,223</u>	<u>267,744</u>	<u>34,479</u>
Change in Net Position	274,091	551,581	(277,490)	122,279	151,730	(29,451)
Net Position - Beginning of Year	<u>5,737,555</u>	<u>5,185,974</u>	<u>551,581</u>	<u>2,184,881</u>	<u>2,033,151</u>	<u>151,730</u>
Net Position - End of Year	<u>\$ 6,011,646</u>	<u>\$ 5,737,555</u>	<u>\$ 274,091</u>	<u>\$ 2,307,160</u>	<u>\$ 2,184,881</u>	<u>\$ 122,279</u>

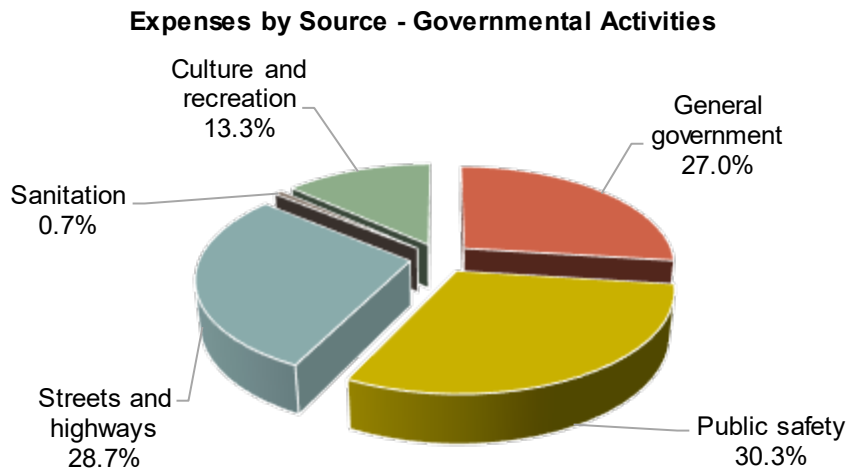
**CITY OF ATWATER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Governmental Activities

Revenues – The following chart visually illustrates the City's revenues by source for the governmental activities:



Expenses – The following chart visually illustrates the City's expenses by source for the governmental activities:



Financial Analysis of the City's Funds

General Fund – The City's General Fund balance increased by \$429,200 for 2024.

Capital Projects Fund – The Capital Projects Fund balance increased by \$1,910,671 for 2024.

Debt Service Fund – The Debt Service Fund balance increased by \$64,283 for 2024.

Special Revenue Fund – The City's Special Revenue Fund balance increased by \$8,796 for 2024.

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

General Fund Budgetary Highlights

Over the course of the year, the City of Atwater's City Council did not revise the budget. The General Fund had sufficient revenues to cover expenditures resulting in an increase in fund balance.

Capital Assets

At the end of 2024, the City of Atwater had over \$16 million (net of accumulated depreciation) invested in a broad range of capital assets. Refer to Note 3 of the notes to the financial statements for a schedule showing the City's capital asset activity.

Long-Term Debt

At the end of 2024, the City of Atwater had \$6,840,149 in bonds outstanding. Refer to Note 3 of the notes to the financial statements for a schedule showing the City's long-term debt activity.

Contacting the City's Financial Management

This financial report is designated to provide our residents, customers, and creditors with a general overview of the City of Atwater's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Atwater, 322 Atlantic Ave W, P.O. Box 59, Atwater, MN 56209, 320-974-8760.

CITY OF ATWATER, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2024

	Governmental Activities	Business-Type Activities	Total Primary Government	EDA Component Unit
ASSETS				
Cash	\$ 4,468,866	\$ 1,170,317	\$ 5,639,183	\$ 83,842
Receivables:				
Accounts	12,602	29,293	41,895	-
Delinquent taxes	20,665	3,670	24,335	-
Special assessments	112,401	142,868	255,269	-
Interest	2,407	954	3,361	-
Notes	17,268	-	17,268	-
Prepaid expenses	22,137	-	22,137	-
Due from other funds	-	-	-	2,732
Capital assets:				
Non-depreciable	929,017	3,708,825	4,637,842	-
Depreciable, net of accumulated depreciation	<u>3,023,816</u>	<u>2,470,418</u>	<u>5,494,234</u>	<u>54,932</u>
TOTAL ASSETS	<u>8,609,179</u>	<u>7,526,345</u>	<u>16,135,524</u>	<u>141,506</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	<u>131,593</u>	<u>-</u>	<u>131,593</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>131,593</u>	<u>-</u>	<u>131,593</u>	<u>-</u>
LIABILITIES				
Accounts payable	10,507	36,604	47,111	-
Contracts payable	47,384	583,052	630,436	-
Accrued payroll liabilities	6,271	-	6,271	-
Accrued interest payable	53,795	-	53,795	-
Customer deposits	-	32,516	32,516	-
Due to other funds	2,732	-	2,732	-
Long-term liabilities:				
Due within one year	20,097	347,661	367,758	-
Due in more than one year	2,253,039	4,219,352	6,472,391	-
Net pension liability	<u>129,207</u>	<u>-</u>	<u>129,207</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,523,032</u>	<u>5,219,185</u>	<u>7,742,217</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	<u>206,094</u>	<u>-</u>	<u>206,094</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>206,094</u>	<u>-</u>	<u>206,094</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,679,697	1,612,230	3,291,927	54,932
Restricted for:				
Public Safety Aid	28,000	-	28,000	-
Emergency ambulance service aid	57,296	-	57,296	-
Street improvement	22,502	-	22,502	-
Debt service	64,283	386,580	450,863	-
Economic development	173,087	-	173,087	-
Unrestricted	<u>3,986,781</u>	<u>308,350</u>	<u>4,295,131</u>	<u>86,574</u>
TOTAL NET POSITION	<u>\$ 6,011,646</u>	<u>\$ 2,307,160</u>	<u>\$ 8,318,806</u>	<u>\$ 141,506</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General government	\$ 302,095	\$ 7,575	\$ -	\$ -	\$ (294,520)	\$ -	\$ (294,520)
Public safety	338,576	163,000	103,836	55,995	(15,745)	-	(15,745)
Streets and highways	320,933	-	-	27,541	(293,392)	-	(293,392)
Sanitation	8,077	-	-	-	(8,077)	-	(8,077)
Culture and recreation	149,105	16,510	-	66,419	(66,176)	-	(66,176)
Interest and fiscal charges on long term debt	<u>113,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113,862)</u>	<u>-</u>	<u>(113,862)</u>
Total Governmental Activities	<u>1,232,648</u>	<u>187,085</u>	<u>103,836</u>	<u>149,955</u>	<u>(791,772)</u>	<u>-</u>	<u>(791,772)</u>
Business-Type Activities:							
Water	176,482	184,795	-	3,752	-	12,065	12,065
Sewer	<u>125,741</u>	<u>93,012</u>	<u>-</u>	<u>3,464</u>	<u>-</u>	<u>(29,265)</u>	<u>(29,265)</u>
Total Business-Type Activities	<u>302,223</u>	<u>277,807</u>	<u>-</u>	<u>7,216</u>	<u>-</u>	<u>(17,200)</u>	<u>(17,200)</u>
TOTAL	<u>\$ 1,534,871</u>	<u>\$ 464,892</u>	<u>\$ 103,836</u>	<u>\$ 157,171</u>	<u>(791,772)</u>	<u>(17,200)</u>	<u>(808,972)</u>
General revenues:							
Property taxes levied for general purposes					523,173	-	523,173
Property taxes levied for debt service					-	92,079	92,079
Intergovernmental revenue not restricted to specific programs					405,170	-	405,170
Investment income					91,201	31,410	122,611
Gain (loss) on sale of asset					833	-	833
Miscellaneous					<u>45,486</u>	<u>15,990</u>	<u>61,476</u>
Total general revenues					<u>1,065,863</u>	<u>139,479</u>	<u>1,205,342</u>
Change in net position					274,091	122,279	396,370
Net Position - Beginning					<u>5,737,555</u>	<u>2,184,881</u>	<u>7,922,436</u>
Net Position - Ending					<u>\$ 6,011,646</u>	<u>\$ 2,307,160</u>	<u>\$ 8,318,806</u>
Component Unit - EDA							
Revenues:							
Charges for services						<u>\$ 10,900</u>	
Total Revenues						10,900	
Expenses							
Change in net position - EDA						(1,699)	
Net Position - Beginning						<u>143,205</u>	
Net Position - Ending						<u>\$ 141,506</u>	

The notes to the financial statements are an integral part of this statement.

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

	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue		Totals
				Revolving Loan Fund	Splash Pad	
ASSETS						
Cash and investments	\$ 2,166,760	\$ 2,081,068	\$ 64,283	\$ 158,551	\$ (1,796)	\$ 4,468,866
Receivables:						
Accounts	12,602	-	-	-	-	12,602
Delinquent taxes	20,665	-	-	-	-	20,665
Special assessments	112,401	-	-	-	-	112,401
Interest	2,407	-	-	-	-	2,407
Notes	-	-	-	17,268	-	17,268
Prepaid expenses	22,137	-	-	-	-	22,137
TOTAL ASSETS	\$ 2,336,972	\$ 2,081,068	\$ 64,283	\$ 175,819	\$ (1,796)	\$ 4,656,346
LIABILITIES						
Accounts payable	\$ 10,507	\$ -	\$ -	\$ -	\$ -	\$ 10,507
Contract payable	-	47,384	-	-	-	47,384
Accrued payroll liabilities	6,271	-	-	-	-	6,271
Due to component unit	-	-	-	2,732	-	2,732
TOTAL LIABILITIES	16,778	47,384	-	2,732	-	66,894
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	18,553	-	-	-	-	18,553
Unavailable revenue - special assessments	112,398	-	-	-	-	112,398
TOTAL DEFERRED INFLOWS OF RESOURCES	130,951	-	-	-	-	130,951
FUND BALANCES						
Nonspendable	22,137	-	-	-	-	22,137
Restricted	107,798	-	64,283	173,087	-	345,168
Committed	1,158,675	-	-	-	-	1,158,675
Assigned	367,535	2,033,684	-	-	-	2,401,219
Unassigned	533,098	-	-	-	(1,796)	531,302
TOTAL FUND BALANCES	2,189,243	2,033,684	64,283	173,087	(1,796)	4,458,501
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,336,972	\$ 2,081,068	\$ 64,283	\$ 175,819	\$ (1,796)	\$ 4,656,346

The notes to the financial statements are an integral part of this statement.

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

Total Fund Balances-Governmental Funds	\$ 4,458,501
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	
Governmental capital assets	11,246,666
Less: accumulated depreciation	(7,293,833)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes	16,368
Special assessments receivable	112,398
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows - pensions	131,593
Deferred inflows - pensions	(206,094)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Unamortized underwriter's discount on bond proceeds	-
General obligation bonds	(2,273,136)
Unearned revenue - licenses and permits	2,185
Accrued interest payable	(53,795)
Net pension liability	<u>(129,207)</u>
Total Net Position-Governmental Activities	<u>\$ 6,011,646</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue		Totals
				Revolving Loan Fund	Splash Pad	
REVENUES						
Property taxes	\$ 522,891	\$ -	\$ -	\$ -	\$ -	\$ 522,891
Special assessments	15,363	-	-	-	-	15,363
License and permits	12,199	-	-	-	-	12,199
Intergovernmental	526,542	-	-	-	-	526,542
Charges for services	187,085	-	-	-	-	187,085
Fines and forfeits	2,767	-	-	-	-	2,767
Interest income	53,820	33,585	-	3,796	-	91,201
Miscellaneous	74,438	81,063	-	-	5,000	160,501
Total Revenues	1,395,105	114,648	-	3,796	5,000	1,518,549
EXPENDITURES						
Current:						
General government	277,104	-	-	-	-	277,104
Public safety	284,148	-	-	-	-	284,148
Streets and highways	179,165	-	-	-	-	179,165
Sanitation	8,077	-	-	-	-	8,077
Culture and recreation	89,958	-	-	-	-	89,958
Capital outlay:						
Public safety	83,900	-	-	-	-	83,900
Streets and highways	105,406	180,951	-	-	-	286,357
Culture and recreation	18,700	62,843	-	-	-	81,543
Debt service						
Principal	16,378	-	-	-	-	16,378
Interest	4,167	-	-	-	-	4,167
Bond issuance costs	-	55,900	-	-	-	55,900
Total Expenditures	1,067,003	299,694	-	-	-	1,366,697
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	328,102	(185,046)	-	3,796	5,000	151,852
OTHER FINANCING SOURCES						
Sale of assets	833	-	-	-	-	833
Bond proceeds	-	2,095,717	64,283	-	-	2,160,000
Lease proceeds	100,265	-	-	-	-	100,265
Total Other Financing Sources	101,098	2,095,717	64,283	-	-	2,261,098
NET CHANGE IN FUND BALANCE	429,200	1,910,671	64,283	3,796	5,000	2,412,950
FUND BALANCE JANUARY 1	1,760,043	123,013	-	169,291	(6,796)	2,045,551
FUND BALANCE DECEMBER 31	\$ 2,189,243	\$ 2,033,684	\$ 64,283	\$ 173,087	\$ (1,796)	\$ 4,458,501

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

Net Change in Fund Balances-Governmental Funds	\$ 2,412,950
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	418,207
Depreciation expense	(272,024)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	282
Special assessments	(10,324)
Licenses and permits	2,185
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirement of long-term debt	16,378
Bond proceeds	(2,260,265)
Interest on long-term debt is reported when due in the governmental funds because it requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(53,795)
In the statement of activities, pension expense is measured by the amount earned during the year. In the governmental funds, however, expenditures for the items are measured by the amount of financial resources used.	
Change in net pension liability, deferred outflows, and deferred inflows	<u>20,497</u>
Change in Net Position-Governmental Activities	<u>\$ 274,091</u>

The notes to the financial statements are an integral part of this statement.

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

	Water Fund	Sewer Fund	Total Primary Government	EDA Component Unit
ASSETS				
Current Assets				
Cash	\$ 436,046	\$ 490,559	\$ 926,605	\$ 83,842
Receivables:				
Accounts receivable	19,050	10,243	29,293	-
Delinquent taxes	1,655	2,015	3,670	-
Interest	581	373	954	-
Due from other funds	-	-	-	2,732
Total Current Assets	<u>457,332</u>	<u>503,190</u>	<u>960,522</u>	<u>86,574</u>
Noncurrent Assets				
Cash restricted for debt service	112,893	130,819	243,712	-
Special assessments receivable	74,291	68,577	142,868	-
Capital assets:				
Non-depreciable	2,195,983	1,512,842	3,708,825	-
Depreciable assets	1,984,275	2,026,225	4,010,500	130,352
Less accumulated depreciation	<u>(710,857)</u>	<u>(829,225)</u>	<u>(1,540,082)</u>	<u>(75,420)</u>
Total capital assets, net	<u>3,469,401</u>	<u>2,709,842</u>	<u>6,179,243</u>	<u>54,932</u>
Total Noncurrent Assets	<u>3,656,585</u>	<u>2,909,238</u>	<u>6,565,823</u>	<u>54,932</u>
TOTAL ASSETS	<u>4,113,917</u>	<u>3,412,428</u>	<u>7,526,345</u>	<u>141,506</u>
LIABILITIES				
Current Liabilities				
Accounts payable	36,438	166	36,604	-
Contracts payable	441,902	141,150	583,052	-
Customer deposits	32,516	-	32,516	-
Current portion bonds payable	<u>188,602</u>	<u>159,059</u>	<u>347,661</u>	<u>-</u>
Total Current Liabilities	<u>699,458</u>	<u>300,375</u>	<u>999,833</u>	<u>-</u>
Noncurrent Liabilities				
Bonds payable	<u>2,199,819</u>	<u>2,019,533</u>	<u>4,219,352</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,199,819</u>	<u>2,019,533</u>	<u>4,219,352</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,899,277</u>	<u>2,319,908</u>	<u>5,219,185</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,080,980	531,250	1,612,230	54,932
Restricted	187,184	199,396	386,580	-
Unrestricted	<u>(53,524)</u>	<u>361,874</u>	<u>308,350</u>	<u>86,574</u>
TOTAL NET POSITION	<u>\$ 1,214,640</u>	<u>\$ 1,092,520</u>	<u>\$ 2,307,160</u>	<u>\$ 141,506</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2024

	Water Fund	Sewer Fund	Total Primary Government	EDA Component Unit
OPERATING REVENUES				
Charges for services	\$ 184,795	\$ 93,012	\$ 277,807	\$ 10,900
Total Operating Revenues	<u>184,795</u>	<u>93,012</u>	<u>277,807</u>	<u>10,900</u>
OPERATING EXPENSES				
Personal services	12,394	10,251	22,645	-
Contract services	21,286	-	21,286	-
Materials and supplies	4,610	3,865	8,475	-
Repairs and maintenance	10,364	18,355	28,719	125
Other expenses	45,828	14,924	60,752	9,575
Depreciation	54,488	52,026	106,514	2,899
Total Operating Expenses	<u>148,970</u>	<u>99,421</u>	<u>248,391</u>	<u>12,599</u>
Operating Income (Loss)	35,825	(6,409)	29,416	(1,699)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	41,038	51,041	92,079	-
Special assessments	3,752	3,464	7,216	-
Interest income	16,426	14,984	31,410	-
Miscellaneous income	2,145	13,845	15,990	-
Interest expense	(27,512)	(26,320)	(53,832)	-
Total Non-Operating Revenues	<u>35,849</u>	<u>57,014</u>	<u>92,863</u>	<u>-</u>
Change in Net Position	71,674	50,605	122,279	(1,699)
NET POSITION, JANUARY 1	<u>1,142,966</u>	<u>1,041,915</u>	<u>2,184,881</u>	<u>143,205</u>
NET POSITION, DECEMBER 31	<u>\$ 1,214,640</u>	<u>\$ 1,092,520</u>	<u>\$ 2,307,160</u>	<u>\$ 141,506</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2024

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 185,146	\$ 92,843	\$ 277,989
Payments to suppliers	(75,150)	(37,489)	(112,639)
Payments to employees	(12,394)	(10,251)	(22,645)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>97,602</u>	<u>45,103</u>	<u>142,705</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Non operating revenue	<u>2,145</u>	<u>13,845</u>	<u>15,990</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>2,145</u>	<u>13,845</u>	<u>15,990</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,713,156)	(1,371,692)	(3,084,848)
Property taxes	41,973	51,415	93,388
Special assessments	15,251	14,079	29,330
Proceeds from bond issuance	1,502,421	1,360,814	2,863,235
Principal paid on long-term debt	(95,000)	(78,000)	(173,000)
Interest paid on long-term debt	(27,512)	(26,320)	(53,832)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(276,023)</u>	<u>(49,704)</u>	<u>(325,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	<u>16,426</u>	<u>14,984</u>	<u>31,410</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,426</u>	<u>14,984</u>	<u>31,410</u>
NET INCREASE (DECREASE) IN CASH	(159,850)	24,228	(135,622)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>708,789</u>	<u>597,150</u>	<u>1,305,939</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 548,939</u>	<u>\$ 621,378</u>	<u>\$ 1,170,317</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 35,825	\$ (6,409)	\$ 29,416
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	54,488	52,026	106,514
Change in assets and liabilities:			
(Increase) decrease in receivables	351	(169)	182
Increase (decrease) in accounts payable	3,410	(345)	3,065
Increase in customer deposits	3,528	-	3,528
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 97,602</u>	<u>\$ 45,103</u>	<u>\$ 142,705</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 436,046	\$ 490,559	\$ 926,605
Restricted cash	<u>112,893</u>	<u>130,819</u>	<u>243,712</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 548,939</u>	<u>\$ 621,378</u>	<u>\$ 1,170,317</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atwater's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

Atwater was established in 1889 pursuant to applicable Minnesota laws and statutes. The governing body consists of a four-member council, and mayor elected by eligible voters of the City. Two members are elected every two years for a four-year term. The mayor's office is for two years. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

1. Component Unit

a. Discretely Presented Component Unit: Atwater Economic Development Authority (EDA)

The EDA is an entity legally separate from the City. It is governed by a five-member board including a City Council member. The remainder of the Board is appointed by the mayor. The City Council has the ability to modify or overrule decisions made by the EDA Board. The City is legally obligated to finance operating deficits of the EDA and the EDA is financially accountable to the City.

The component unit columns in the combined financial statements include only the financial data of the EDA. This component unit is reported in a separate column to emphasize that it is legally separate from the City. Separate financial statements are not issued for this component unit. The City has no other component units with significant operational or financial relationships.

2. Related Organization

The Atwater Fire Relief Association (the "Association") is organized as a non-profit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Board of Directors is appointed by the membership of the Association and not by City Council. All relief funding is conducted in accordance with Minnesota Statutes whereby state aid flows to the Association, tax levies are determined by the Association and are only reviewed by the City, and the Association pays benefits directly to its members. The financial statements of the Association have not been included within the City's reporting entity because the Association is fiscally independent of the City.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

1. Government-Wide Statements (continued)

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

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

2. Fund Financial Statements

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

a. Governmental Funds

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.

Capital Projects Fund

The Capital Projects Fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

b. Enterprise Funds

The City reports the following major enterprise funds:

Water and Sewer Funds

The water and sewer funds account for activities of the public trust in providing water and sewer services to the public.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position/Fund Balances

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City in certificates of deposit. Earnings on cash accounts are allocated to individual funds based upon the month-end balances.

3. Receivables

Accounts receivable include amounts billed for services provided before year-end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. All receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied by the City Council in October of each year and are certified to Kandiyohi County for collection in the following year. The property taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The County collects the taxes and periodically remits them to the City. The majority of these remittances are made in June and November.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from delinquent property taxes not collected within 60 days of year-end is deferred in the fund financial statements because they are not known to be available to finance the operations of the City in the current year.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position/Fund Balances (continued)

3. Receivables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments are deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

4. Prepaid Items

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	20 - 30
Infrastructure	15 - 20
Furniture, equipment, and vehicles	3 - 15

6. Compensated Absences

Full-time employees are granted from five to fifteen days of vacation time per year depending on years of employment. Sick leave may accumulate up to 60 days total, but employees are not compensated for unused sick days.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position/Fund Balances (continued)

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and fund financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City of Atwater has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City of Atwater has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow relating to pension activity, is reported in the government-wide statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earnings on plan investments. The City of Atwater also has one item that qualifies for reporting in this category under modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: taxes, special assessments, and notes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements use a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position/Fund Balances (continued)

9. Net Position/Fund Balances (continued)

Unrestricted net position – This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows.

Nonspendable – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors; grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless, the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Council.

Assigned – consists of amounts intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Unassigned – is the residual classification for the General Fund.

The City of Atwater uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

10. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Pensions

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

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City Clerk submits an annual budget to the City Council for the General Fund. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

B. Deficit Fund Balances

The following fund has a deficit fund balance at December 31, 2024:

Splash Pad \$ (1,796)

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

a. Deposits

Minn. Stat. § 118A.02 and § 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy that collateral or bonds will be required for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. At December 31, 2024, the City deposits were entirely covered by federal depository insurance or collateral held by the City or its agent in the City's name.

b. Investments

Minn. Stat. § 118A.04 and § 118A.05 generally authorize the following types of investments as available to the City:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that addresses interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not have a formal investment policy that addresses credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

As of and during the year ended December 31, 2024, the City did not own any investments that required disclosure regarding interest rate risk, credit risk, or concentration of credit risk.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Capital Assets

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

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 47,210	\$ -	\$ -	\$ 47,210
Construction in progress	<u>1,051,158</u>	<u>253,685</u>	<u>423,036</u>	<u>881,807</u>
Total capital assets not being depreciated	<u>1,098,368</u>	<u>253,685</u>	<u>423,036</u>	<u>929,017</u>
Capital assets being depreciated:				
Buildings and structures	1,179,941	403,392	-	1,583,333
Infrastructure and improvements	6,644,565	-	-	6,644,565
Machinery and equipment	<u>1,905,586</u>	<u>184,165</u>	<u>-</u>	<u>2,089,751</u>
Total capital assets being depreciated	<u>9,730,092</u>	<u>587,557</u>	<u>-</u>	<u>10,317,649</u>
Less accumulated depreciation for:				
Buildings and structures	645,103	48,263	-	693,366
Infrastructure and improvements	5,133,810	123,628	-	5,257,438
Machinery and equipment	<u>1,242,896</u>	<u>100,133</u>	<u>-</u>	<u>1,343,029</u>
Total accumulated depreciation	<u>7,021,809</u>	<u>272,024</u>	<u>-</u>	<u>7,293,833</u>
Total capital assets being depreciated, net	<u>2,708,283</u>	<u>315,533</u>	<u>-</u>	<u>3,023,816</u>
Governmental activities capital assets, net	<u>\$ 3,806,651</u>	<u>\$ 569,218</u>	<u>\$ 423,036</u>	<u>\$ 3,952,833</u>

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 4,915	\$ -	\$ -	\$ 4,915
Construction in progress	36,010	3,667,900	-	3,703,910
Total capital assets not being depreciated	40,925	3,667,900	-	3,708,825
Capital assets being depreciated:				
Buildings and structures	24,430	-	-	24,430
Infrastructure and improvements	3,830,288	-	-	3,830,288
Machinery and equipment	155,782	-	-	155,782
Total capital assets being depreciated	4,010,500	-	-	4,010,500
Less accumulated depreciation for:				
Buildings and structures	24,430	-	-	24,430
Infrastructure and improvements	1,352,301	96,722	-	1,449,023
Machinery and equipment	56,837	9,792	-	66,629
Total accumulated depreciation	1,433,568	106,514	-	1,540,082
Total capital assets being depreciated, net	2,576,932	(106,514)	-	2,470,418
Business-type activities capital assets, net	\$ 2,617,857	\$ 3,561,386	\$ -	\$ 6,179,243
	Beginning Balance	Increases	Decreases	Ending Balance
Economic Development Authority				
Capital assets being depreciated:				
Buildings and structures	\$ 86,191	\$ -	\$ -	\$ 86,191
Improvements	44,161	-	-	44,161
Total capital assets being depreciated	130,352	-	-	130,352
Less accumulated depreciation for:				
Buildings and structures	45,877	2,210	-	48,087
Improvements	26,644	689	-	27,333
Total accumulated depreciation	72,521	2,899	-	75,420
Total capital assets being depreciated, net	57,831	(2,899)	-	54,932
Economic Development Authority capital assets, net	\$ 57,831	\$ (2,899)	\$ -	\$ 54,932

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities		
General government	\$	30,115
Public safety		58,637
Public works		142,825
Parks and recreation		<u>40,447</u>
Total depreciation expense - governmental activities	\$	<u>272,024</u>
 Business-type activities		
Water	\$	54,488
Sewer		<u>52,026</u>
Total depreciation expense - business-type activities	\$	<u>106,514</u>
 EDA		
Total depreciation expense	\$	<u>2,899</u>

B. Interfund Receivables, Payables, and Transfers

1. Interfund Transfers

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs. There were no interfund transfers during the year ended December 31, 2024.

2. Interfund Receivables and Payables

Individual fund, interfund receivables, and payables balances at year end were as follows:

Receivable Fund	Payable Fund	Amount
EDA Component Unit	Revolving Loan Fund	\$ 2,732
		<u>\$ 2,732</u>

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Governmental activities

Notes payable

The City issued notes payable for the purchase of equipment. The notes will be repaid with general revenues.

General obligation bonds

These bonds were issued to finance various capital improvements. These bonds will be retired from special assessments levied on the properties benefiting from the improvements, ad valorem tax levies, and net revenue from various utility funds.

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance at Year End</u>
Notes from Direct Borrowings:					
Notes Payable					
John Deere Financial	2022	2027	5.75%	\$ 40,345	\$ 21,517
PNC Equipment Finance	2024	2029	3.72%	100,265	<u>91,619</u>
Total Notes Payable					<u>113,136</u>
Bonds					
G.O. Improvement Bond, Series 2024A	2024	2045	4.1-4.7%	2,160,000	<u>2,160,000</u>
Total General Obligation Bonds					<u>2,160,000</u>
Total Governmental-Type Activities					<u>\$ 2,273,136</u>

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

C. Liabilities (continued)

1. Long-Term Debt (continued)

The annual debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities				
	Bonds		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2025	\$ -	\$ 112,296	\$ 20,097	\$ 4,226	\$ 136,619
2026	70,000	94,590	21,031	3,292	188,913
2027	75,000	91,618	17,483	2,365	186,466
2028	75,000	88,543	13,310	1,801	178,654
2029	80,000	85,345	41,215	493	207,053
2030-2034	455,000	372,670	-	-	827,670
2035-2039	550,000	264,338	-	-	814,338
2040-2044	695,000	122,083	-	-	817,083
2045	160,000	3,760	-	-	163,760
Total	\$ 2,160,000	\$ 1,235,243	\$ 113,136	\$ 12,177	\$ 3,520,556

Business-type activities

General obligation revenue bonds

These bonds were issued to finance capital improvements to the Water and Sewer funds. These bonds will be retired from net revenue of these enterprise funds, ad valorem levies and special assessments.

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
Notes from Direct Borrowings:					
General Obligation Water Revenue Note of 2011	2011	2030	1.777%	\$ 897,318	\$ 325,000
General Obligation Water Improvement Note of 2015	2015	2036	1.000%	901,632	561,000
General Obligation Water Improvement Note of 2024	2024	**	**	1,502,421	1,502,421
General Obligation Sewer Revenue Note of 2011	2011	2030	1.776%	496,770	179,778
General Obligation Sewer Improvement Note of 2015	2015	2036	1.000%	1,042,194	638,000
General Obligation Sewer Improvement Note of 2024	2024	**	**	1,360,814	<u>1,360,814</u>
Total Business-Type Activities					<u>\$ 4,567,013</u>

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

C. Liabilities (continued)

1. Long-Term Debt (continued)

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	Business-Type Activities		
	Notes from Direct Borrowings		
	Principal	Interest	Total
2025	\$ 175,000	\$ 20,488	\$ 195,488
2026	178,000	18,099	196,099
2027	180,000	15,682	195,682
2028	183,000	13,220	196,220
2029	184,000	10,730	194,730
2030-2034	593,778	24,827	618,605
2035-2036	210,000	2,100	212,100
Total	<u>\$ 1,703,778</u>	<u>\$ 105,146</u>	<u>\$ 1,808,924</u>

** All proceeds for G.O. Improvement Notes have not been received at December 31, 2024. Annual debt service requirements will be provided when all note proceeds have been received.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes from direct borrowings	\$ 29,249	\$ 100,265	\$ 16,378	\$ 113,136	\$ 20,097
Bonds	-	2,160,000	-	2,160,000	-
Net pension liability	187,738	-	58,531	129,207	-
Total governmental activities	<u>\$ 216,987</u>	<u>\$ 2,260,265</u>	<u>\$ 74,909</u>	<u>\$ 2,402,343</u>	<u>\$ 20,097</u>
Business-type activities					
Notes from direct borrowings	<u>\$ 1,876,778</u>	<u>\$ 2,863,235</u>	<u>\$ 173,000</u>	<u>\$ 4,567,013</u>	<u>\$ 347,661</u>
Total business-type activities	<u>\$ 1,876,778</u>	<u>\$ 2,863,235</u>	<u>\$ 173,000</u>	<u>\$ 4,567,013</u>	<u>\$ 347,661</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

D. Fund Balance Classification

At December 31, 2024, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Debt Service	Revolving Loan Fund	Slash pad Fund	Totals
Nonspendable						
Prepaid expenses	\$ 22,137	\$ -	\$ -	\$ -	\$ -	\$ 22,137
Restricted						
Public Safety Aid						
Police	16,323	-	-	-	-	16,323
Fire	3,076	-	-	-	-	3,076
Ambulance	8,601	-	-	-	-	8,601
Emergency ambulance service aid	57,296	-	-	-	-	57,296
Street improvement	22,502	-	-	-	-	22,502
Debt service	-	-	64,283	-	-	64,283
Revolving loans	-	-	-	173,087	-	173,087
Committed						
Street improvement	220,386	-	-	-	-	220,386
Parks	31,798	-	-	-	-	31,798
Public works - equipment	110,345	-	-	-	-	110,345
Public safety						
Police equipment	48,475	-	-	-	-	48,475
Fire equipment	620,945	-	-	-	-	620,945
Ambulance equipment	126,726	-	-	-	-	126,726
Assigned						
Working capital	215,000	-	-	-	-	215,000
City hall maintenance	152,535	-	-	-	-	152,535
Street projects	-	2,033,684	-	-	-	2,033,684
Unassigned	533,098	-	-	-	(1,796)	531,302
Total Fund Balances	<u>\$ 2,189,243</u>	<u>\$ 2,033,684</u>	<u>\$ 64,283</u>	<u>\$ 173,087</u>	<u>\$ (1,796)</u>	<u>\$ 4,458,501</u>

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (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.

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

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

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. 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.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increases by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3.0% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1.0%. 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.

C. Contributions

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

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City of Atwater was required to contribute 7.50% for General Plan members. The City of Atwater’s contributions to the General Employees Fund for the year ended December 31, 2024, were \$15,020. The City of Atwater’s contributions were equal to the required contributions as set by state statute.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

C. Contributions (continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City of Atwater was required to contribute 17.70% for Police and Fire Plan members. The City of Atwater's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$9,395. The City of Atwater's contributions were \$160 less than the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City of Atwater reported a liability of \$75,697 for its proportionate share of the General Employees Fund's net pension liability. The City of Atwater'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 of Atwater's totaled \$1,957.

City's proportionate share of the net pension liability	\$	75,697
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>1,957</u>
Total	\$	<u><u>77,654</u></u>

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 of Atwater's proportionate share of the net pension liability was based on the City of Atwater'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 of Atwater's proportionate share was .0020% at the end of the measurement period, and .0024% for the beginning of the period.

For the year ended December 31, 2024, the City of Atwater recognized pension expense of \$3,870 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Atwater recognized an additional \$(38) 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 of Atwater recognized \$3,483 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 7,500	\$ -
Changes in actuarial assumptions	415	32,250
Net collective difference between projected and actual investment	-	23,204
Changes in proportion	3,960	15,849
Contributions paid to PERA subsequent to the measurement date	<u>9,025</u>	<u>-</u>
Total	<u><u>\$ 20,900</u></u>	<u><u>\$ 71,303</u></u>

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$9,025 reported as deferred outflows of resources related to pensions resulting from the City of Atwater's 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 Amount
2025	\$ (31,676)
2026	\$ (7,321)
2027	\$ (14,629)
2028	\$ (5,802)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City of Atwater reported a liability of \$53,510 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 of Atwater's proportionate share of the net pension liability was based on the City of Atwater'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 of Atwater's proportionate share was .0041% at the end of the measurement period, and .0031% 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 of Atwater totaled \$2,040.

City's proportionate share of the net pension liability	\$ 53,510
State of Minnesota's proportionate share of the net pension liability associated with the City	2,040
Total	\$ 55,550

For the year ended December 31, 2024, the City of Atwater recognized pension expense of \$6,623 for its proportionate share of the Police and Fire Plan's pension expense. The City of Atwater recognized \$366 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 of Atwater recognized \$1,155 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.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 19,981	\$ -
Changes in actuarial assumptions	70,156	60,241
Net collective difference between projected and actual investment earnings	-	18,280
Changes in proportion	15,162	56,270
Contributions paid to PERA subsequent to the measurement date	5,394	-
Total	\$ 110,693	\$ 134,791

The \$5,394 reported as deferred outflows of resources related to pensions resulting from the City of Atwater's 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 Amount
2025	\$ (9,261)
2026	\$ 11,126
2027	\$ (10,633)
2028	\$ (24,741)
2029	\$ 4,017

3. Aggregate Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$10,493.

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% 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 and 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.

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 have been no changes since the prior 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).

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

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

Sensitivity Analysis						
<i>Net Pension Liability (Asset) at Different Discount Rates</i>						
	General Employees Fund			Police and Fire Fund		
1% Lower	6.00%	\$	165,335	6.00%	\$	126,453
Current Discount Rate	7.00%	\$	75,697	7.00%	\$	53,510
1% Higher	8.00%	\$	1,962	8.00%	\$	(6,393)

I. Pension Plan Fiduciary Net Position

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

NOTE 5 DEFINED BENEFIT LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

The Atwater Fire Department participates in the Atwater Fire Fighters Relief Association pension plan, a single employer, lump-sum, defined benefit pension plan administered by the Atwater Fire Fighters Relief Association. The plan covers the volunteer firefighters of the municipal fire department. As of December 31, 2024, the plan covered 27 active firefighters and 4 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 69.051 and 69.80 and Chapter 424.

B. Benefits Provided

The plan provides lump-sum retirement, disability, 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 per year of service approved by the City. The benefit at December 31, 2024, was \$1,600 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

C. Contributions

The 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 \$22,814 in fire state aid and \$2,000 in supplemental benefit reimbursement to the plan on behalf of the Atwater Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contribution to the plan for the year ended December 31, 2024, was \$-0-.

CITY OF ATWATER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 5 DEFINED BENEFIT LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIRE RELIEF ASSOCIATION

D. Pension Costs

For the year ended December 31, 2024, the City recognized pension expense of \$22,814. This amount was equal to the contribution provided by the State of Minnesota and recognized as revenue in the financial statements.

E. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2024, is available in a separately issued financial report prepared in accordance with Minnesota Statutes. That report may be obtained by writing the plan at Atwater Fire Fighters Relief Association, P.O. Box 68, Atwater, Minnesota 56221.

NOTE 6 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. This City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

The workers' compensation policy is a retrospectively rated policy with premiums that accrue based on the ultimate cost of the experience to date. There is no way to estimate what the change in premium may be. Generally, it has been minimal. There were no claims in 2024.

NOTE 7 OTHER COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City has outstanding construction contracts related to ongoing infrastructure projects. Contract balance, including retainage, as of December 31, 2024, is \$4,582,437. The City is expecting the project to be completed in 2025. The projects are being funded by bond proceeds.

NOTE 8 SUBSEQUENT EVENTS

The City has evaluated subsequent events through September 23, 2025, the date the financial statements were available to be issued.

CITY OF ATWATER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Taxes				
Property taxes	\$ 522,764	\$ 522,764	\$ 522,891	\$ 127
Special assessments	30,600	30,600	15,363	(15,237)
License and permits	8,090	8,090	12,199	4,109
Total Taxes	<u>561,454</u>	<u>561,454</u>	<u>550,453</u>	<u>(11,001)</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	405,170	405,170	405,170	-
Fire aid	20,000	20,000	22,814	2,814
Other state grants	12,000	12,000	98,558	86,558
Total Intergovernmental Revenue	<u>437,170</u>	<u>437,170</u>	<u>526,542</u>	<u>89,372</u>
Charges for Services				
General government	5,000	5,000	6,800	1,800
Public safety				
Fire contracts and calls	75,000	75,000	89,148	14,148
Ambulance calls	60,000	60,000	73,852	13,852
Culture and recreation	20,300	20,300	17,285	(3,015)
Total Charges for Services	<u>160,300</u>	<u>160,300</u>	<u>187,085</u>	<u>26,785</u>
Fines and Forfeits	1,520	1,520	2,767	1,247
Miscellaneous Revenues				
Investment income	18,000	18,000	53,820	35,820
Donations	10,000	10,000	55,995	45,995
Refunds and reimbursements	3,000	3,000	18,443	15,443
Total Miscellaneous Revenues	<u>31,000</u>	<u>31,000</u>	<u>128,258</u>	<u>97,258</u>
TOTAL REVENUES	<u>1,191,444</u>	<u>1,191,444</u>	<u>1,395,105</u>	<u>203,661</u>
OTHER FINANCING SOURCES				
Sale of assets	-	-	833	833
Bond proceeds	-	-	100,265	100,265
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,191,444</u>	<u>1,191,444</u>	<u>1,496,203</u>	<u>304,759</u>

See notes to required supplementary information.

CITY OF ATWATER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
EXPENDITURES				
General Government				
Governing Board				
Salaries	8,600	8,600	7,400	(1,200)
Payroll taxes and benefits	660	660	566	(94)
Other expenses	1,400	1,400	2,071	671
Total Governing Board	<u>10,660</u>	<u>10,660</u>	<u>10,037</u>	<u>(623)</u>
Administration and Finance				
Salaries	95,062	95,062	90,420	(4,642)
Payroll taxes and benefits	22,486	22,486	20,903	(1,583)
Supplies	4,500	4,500	4,721	221
Occupancy	1,380	1,380	1,137	(243)
Other expenses	5,295	5,295	7,077	1,782
Total Administration and Finance	<u>128,723</u>	<u>128,723</u>	<u>124,258</u>	<u>(4,465)</u>
Government Buildings				
Occupancy	35,000	35,000	25,772	(9,228)
Total Government Buildings	<u>35,000</u>	<u>35,000</u>	<u>25,772</u>	<u>(9,228)</u>
Other General Government				
Insurance	53,200	53,200	49,536	(3,664)
Elections	2,700	2,700	3,497	797
Assessor	13,000	13,000	-	(13,000)
Professional services	30,000	30,000	31,968	1,968
Publishing	1,500	1,500	499	(1,001)
Other expenses	28,600	28,600	31,537	2,937
Total Other General Government	<u>129,000</u>	<u>129,000</u>	<u>117,037</u>	<u>(11,963)</u>
Total General Government	<u>303,383</u>	<u>303,383</u>	<u>277,104</u>	<u>(26,279)</u>
Public Safety				
Police Department				
Salaries	81,494	81,494	53,621	(27,873)
Payroll taxes and benefits	24,140	24,140	10,338	(13,802)
Contract services	6,500	6,500	6,480	(20)
Supplies	4,000	4,000	2,552	(1,448)
Occupancy	2,500	2,500	1,694	(806)
Repairs and maintenance	8,000	8,000	5,401	(2,599)
Other expenses	6,500	6,500	9,137	2,637
Capital outlay	-	-	10,256	10,256
Total Police Department	<u>133,134</u>	<u>133,134</u>	<u>99,479</u>	<u>(33,655)</u>

See notes to required supplementary information.

**CITY OF ATWATER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
EXPENDITURES (continued)				
Public Safety				
Ambulance				
Salaries	28,000	28,000	38,043	10,043
Payroll taxes and benefits	2,000	2,000	3,253	1,253
Supplies	8,000	8,000	5,110	(2,890)
Repairs and maintenance	5,000	5,000	6,997	1,997
Other expenses	20,000	20,000	27,577	7,577
Capital outlay	-	-	59,147	59,147
Total Ambulance	<u>63,000</u>	<u>63,000</u>	<u>140,127</u>	<u>77,127</u>
Fire Department				
Salaries	10,000	10,000	15,618	5,618
Payroll taxes and benefits	2,000	2,000	1,665	(335)
Supplies	1,500	1,500	1,392	(108)
Occupancy	6,000	6,000	8,819	2,819
Repairs and maintenance	15,500	15,500	27,013	11,513
Other expenses	45,500	45,500	50,722	5,222
Capital outlay	-	-	14,497	14,497
Total Fire Department	<u>80,500</u>	<u>80,500</u>	<u>119,726</u>	<u>39,226</u>
Other Protection				
Building inspection	4,000	4,000	5,196	1,196
Civil defense	11,000	11,000	3,520	(7,480)
Animal control	100	100	-	(100)
Total Other Protection	<u>15,100</u>	<u>15,100</u>	<u>8,716</u>	<u>(6,384)</u>
Total Public Safety	<u>291,734</u>	<u>291,734</u>	<u>368,048</u>	<u>76,314</u>
Streets and Highways				
Street Maintenance				
Salaries	56,560	56,560	59,255	2,695
Payroll taxes and benefits	30,323	30,323	15,416	(14,907)
Supplies	6,000	6,000	5,716	(284)
Occupancy	6,500	6,500	8,318	1,818
Repairs and maintenance	32,000	32,000	56,329	24,329
Other expenses	26,800	26,800	6,536	(20,264)
Capital outlay	170,000	170,000	105,406	(64,594)
Total Street Maintenance	<u>328,183</u>	<u>328,183</u>	<u>256,976</u>	<u>(71,207)</u>
Snow and Ice Removal				
Salaries	9,050	9,050	3,267	(5,783)
Other expenses	2,000	2,000	-	(2,000)
Total Snow and Ice Removal	<u>11,050</u>	<u>11,050</u>	<u>3,267</u>	<u>(7,783)</u>
Street Lighting	<u>24,000</u>	<u>24,000</u>	<u>24,328</u>	<u>328</u>
Total Streets and Highways	<u>363,233</u>	<u>363,233</u>	<u>284,571</u>	<u>(78,662)</u>

See notes to required supplementary information.

CITY OF ATWATER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
EXPENDITURES (continued)				
Sanitation				
Weed and Pest Control				
Salaries	3,393	3,393	6,681	3,288
Other expenses	2,000	2,000	1,396	(604)
Total Sanitation	5,393	5,393	8,077	2,684
Culture and Recreation				
Library	21,000	21,000	19,985	(1,015)
Parks and Recreation				
Salaries	37,230	37,230	40,634	3,404
Payroll taxes and benefits	2,971	2,971	3,103	132
Supplies	6,000	6,000	2,493	(3,507)
Repairs and maintenance	6,000	6,000	6,933	933
Other expenses	19,000	19,000	16,810	(2,190)
Capital outlay	50,000	50,000	18,700	(31,300)
Total Culture and Recreation	142,201	142,201	108,658	(33,543)
Economic Development				
Other expenses	1,000	1,000	-	(1,000)
Total Economic Development	1,000	1,000	-	(1,000)
Debt Service				
Principal	-	-	16,378	16,378
Interest	-	-	4,167	4,167
Total Debt Service	-	-	20,545	20,545
TOTAL EXPENDITURES	1,106,944	1,106,944	1,067,003	(39,941)
EXCESS OF REVENUES OVER EXPENDITURES	84,500	84,500	429,200	344,700
OTHER FINANCING USES				
Transfer out	140,000	140,000	-	(140,000)
TOTAL EXPENDITURES AND OTHER FINANCING USES	1,246,944	1,246,944	1,067,003	(179,941)
NET CHANGE IN FUND BALANCE	\$ (55,500)	\$ (55,500)	429,200	\$ (484,700)
FUND BALANCE, JANUARY 1			1,760,043	
FUND BALANCE, DECEMBER 31			\$ 2,189,243	

See notes to required supplementary information.

**CITY OF ATWATER, MINNESOTA
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

General Employees Retirement Fund Pension Plan

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0020%	\$ 75,697	\$ 1,957	\$ 77,654	\$ 173,293	44.8%	89.08%
June 30, 2023	0.0024%	\$ 134,205	\$ 3,750	\$ 137,955	\$ 193,120	71.4%	83.10%
June 30, 2022	0.0023%	\$ 182,161	\$ 5,414	\$ 187,575	\$ 173,667	108.0%	76.67%
June 30, 2021	0.0024%	\$ 102,491	\$ 3,164	\$ 105,655	\$ 174,667	60.5%	87.00%
June 30, 2020	0.0023%	\$ 137,896	\$ 4,304	\$ 142,200	\$ 167,547	84.9%	79.06%
June 30, 2019	0.0023%	\$ 127,162	\$ 3,833	\$ 130,995	\$ 161,173	81.3%	80.23%
June 30, 2018	0.0023%	\$ 127,595	\$ 4,229	\$ 131,824	\$ 156,493	84.2%	79.53%
June 30, 2017	0.0023%	\$ 146,830	\$ 1,884	\$ 148,714	\$ 151,200	98.4%	75.90%
June 30, 2016	0.0023%	\$ 186,749	\$ 2,408	\$ 189,157	\$ 140,747	134.4%	68.90%
June 30, 2015	0.0024%	\$ 124,380	\$ -	\$ 124,380	\$ 139,614	89.1%	78.20%

Public Employees Police and Fire Pension Plan

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0041%	\$ 53,510	\$ 2,040	\$ 55,550	\$ 56,322	98.6%	90.17%
June 30, 2023	0.0031%	\$ 53,533	\$ 2,207	\$ 55,740	\$ 41,124	135.5%	86.47%
June 30, 2022	0.0046%	\$ 200,174	\$ 8,743	\$ 208,917	\$ 55,367	377.3%	70.53%
June 30, 2021	0.0054%	\$ 41,682	\$ 1,893	\$ 43,575	\$ 64,362	67.7%	93.66%
June 30, 2020	0.0076%	\$ 100,176	\$ 2,336	\$ 102,512	\$ 83,424	122.9%	87.19%
June 30, 2019	0.0069%	\$ 73,457	\$ -	\$ 73,457	\$ 71,086	103.3%	89.26%
June 30, 2018	0.0070%	\$ 74,613	\$ -	\$ 74,613	\$ 73,852	101.0%	88.84%
June 30, 2017	0.0080%	\$ 108,010	\$ -	\$ 108,010	\$ 79,401	136.0%	85.43%
June 30, 2016	0.0070%	\$ 280,922	\$ -	\$ 280,922	\$ 64,747	433.9%	63.88%
June 30, 2015	0.0060%	\$ 68,174	\$ -	\$ 68,174	\$ 50,383	135.3%	86.61%

See notes to required supplementary information

**CITY OF ATWATER, MINNESOTA
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

General Employees Retirement Fund Pension Plan

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2024	\$ 15,020	\$ 15,020	\$ -	\$ 200,265	7.50%
December 31, 2023	\$ 13,860	\$ 13,860	\$ -	\$ 184,796	7.50%
December 31, 2022	\$ 13,371	\$ 13,371	\$ -	\$ 178,285	7.50%
December 31, 2021	\$ 13,993	\$ 13,993	\$ -	\$ 186,577	7.50%
December 31, 2020	\$ 12,802	\$ 12,802	\$ -	\$ 170,693	7.50%
December 31, 2019	\$ 12,345	\$ 12,345	\$ -	\$ 164,494	7.50%
December 31, 2018	\$ 11,833	\$ 11,833	\$ -	\$ 157,775	7.50%
December 31, 2017	\$ 11,562	\$ 11,562	\$ -	\$ 154,157	7.50%
December 31, 2016	\$ 11,216	\$ 11,216	\$ -	\$ 149,548	7.50%
December 31, 2015	\$ 10,046	\$ 10,046	\$ -	\$ 133,947	7.50%

Public Employees Police and Fire Pension Plan

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2024	\$ 9,555	\$ 9,395	\$ 160	\$ 53,982	17.40%
December 31, 2023	\$ 9,253	\$ 9,253	\$ -	\$ 52,277	17.70%
December 31, 2022	\$ 7,026	\$ 7,026	\$ -	\$ 39,696	17.70%
December 31, 2021	\$ 11,078	\$ 11,078	\$ -	\$ 62,589	17.70%
December 31, 2020	\$ 14,374	\$ 14,374	\$ -	\$ 81,212	17.70%
December 31, 2019	\$ 14,435	\$ 14,435	\$ -	\$ 85,163	16.95%
December 31, 2018	\$ 10,434	\$ 10,434	\$ -	\$ 64,409	16.20%
December 31, 2017	\$ 13,526	\$ 13,526	\$ -	\$ 83,495	16.20%
December 31, 2016	\$ 11,715	\$ 11,715	\$ -	\$ 72,315	16.20%
December 31, 2015	\$ 9,059	\$ 9,059	\$ -	\$ 55,906	16.20%

See notes to required supplementary information

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 1 BUDGETARY INFORMATION

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

- a) The City Clerk/Treasurer prepares an annual operating budget for the General Fund.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) The budget is legally enacted by a budget resolution.
- d) The City Clerk/Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e) Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America. Budgeted amounts are as originally adopted, or as amended by the City Council. Appropriations for annually budgeted fund lapse at year-end.

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

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 6.50% to 7.00%.

Changes in Plan Provisions:

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

2022 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund: (continued)

2020 Changes:

Changes in Actuarial Assumptions:

- The price inflation assumption decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund: (continued)

2018 Changes: (continued)

Changes in Plan Provisions: (continued)

- 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 morality and interest assumptions.

2017 Changes:

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 217 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The state's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.0% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

Police and Fire Fund:

2024 Changes:

Changes in Actuarial Assumptions:

- There have been no changes since the prior 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.

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

Police and Fire Fund: (continued)

2024 Changes: (continued)

Changes in Plan Provisions: (continued)

- 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 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% 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 scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

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.
- 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 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 the form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

Police and Fire Fund: (continued)

2020 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalence factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- 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% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF ATWATER, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

Police and Fire Fund: (continued)

2016 Changes:

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% percent to 5.60%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2030 and 2.50% per year thereafter to 1% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

CITY OF ATWATER, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2024

Federal Grantor, Program Title	Federal ALN	Passed Through Entity	Passed Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
United States Department of Agriculture State and Private Forestry Cooperative Financial Assistance	10.698	Minnesota Department of Natural Resources	N/A	\$ 5,000	
Total United States Department of Agriculture				<u>\$ 5,000</u>	
United States Environmental Protection Agency Clean Water State Revolving Fund	66.458	Minnesota Public Facilities Authority	MPFA-CWRF-L-010-FY25	\$ 1,501,964	
United States Environmental Protection Agency Drinking Water State Revolving Fund	66.468	Minnesota Public Facilities Authority	MPFA-DWRF-L-011-FY25	<u>1,944,323</u>	
Total United States Environmental Protection Agency				<u>\$ 3,446,287</u>	
Total Expenditures of Federal Awards				<u>\$ 3,451,287</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF ATWATER, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

NOTE 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Atwater, Minnesota. The City's reporting entity is defined in Note 1 of the financial statements.

NOTE 2 BASIS OF PRESENTATION

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

NOTE 3 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 Title 2 U.S. Code of Federal Regulations Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4 SUBRECIPIENTS

The City did not pass-through funds to subrecipients.

NOTE 5 DE MINIMIS COST RATE

The City elected not to charge the de minimis indirect cost rate of 10% to federal programs.

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

Mayor and City Council
City of Atwater, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atwater, Minnesota as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Atwater, Minnesota's basic financial statements, and have issued our report thereon dated September 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atwater, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Atwater's internal control.

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

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

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 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 Atwater, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions 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 of Atwater, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Atwater's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Atwater, Minnesota's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Atwater's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 of Atwater, Minnesota's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Atwater, Minnesota's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

September 23, 2025



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

Mayor and City Council
City of Atwater, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Atwater, Minnesota'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 City of Atwater, Minnesota's major federal programs for the year ended December 31, 2024. City of Atwater, Minnesota'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, City of Atwater, Minnesota complied, in all material respects, with the types of 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 of Atwater, Minnesota 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 of Atwater, Minnesota'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 of Atwater, Minnesota'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 of Atwater, Minnesota'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 a material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 of Atwater, Minnesota'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 of Atwater, Minnesota'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 of Atwater, Minnesota'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 of Atwater, Minnesota's internal control. 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Government Auditing Standards requires the auditor to perform limited procedures on City Atwater, Minnesota's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City Atwater, Minnesota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
September 23, 2025

**CITY OF ATWATER, 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

Internal control over financial reporting:

Material weakness(es) identified? N

Significant deficiency (ies) identified? Y

Noncompliance material to financial statement noted? N

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? N

Significant deficiency (ies) identified? Y

Any audit findings disclosed that are required to be reported in accordance with section 2CFR section 200.516(a) N

Identification of major programs:

ALN	Name of Federal Program or Cluster
66.468 66.458	Drinking Water State Revolving Fund Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**CITY OF ATWATER, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2024**

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2024-001

Criteria:

Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition:

Due to the limited size of the City's staff, the City has limited segregation of duties.

Context:

The City has informed us that the small size of its staff precludes proper separation of duties at this time.

Effect:

The lack of segregation of duties increases the risk of misappropriation of assets.

Cause:

Limited number of staff in the office.

Recommendation:

We recommend that the City continue to separate incompatible duties as best it can within the limits of what the City considers to be cost beneficial.

CORRECTIVE ACTION PLAN (CAP)

Finding 2024-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Officer Responsible for Ensuring CAP:

Mayor and Council

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

**CITY OF ATWATER, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2024**

SECTION II: FINANCIAL STATEMENT FINDINGS (continued)

Finding 2024-002

Criteria:

Generally, a system of internal control includes the ability to understand and prepare the City's financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

The City relies upon the auditor to prepare the financial statements and related disclosures in accordance with GAAP.

Effect:

There is a risk that the City may not detect or prevent financial statement misstatements.

Cause:

The limited size of the City's staff and the related resources available precludes the City from preparing the financial statements.

Recommendation:

We recommend that the City continue to review the auditor prepared financial statements with the intention of understanding and accepting responsibility for reporting under GAAP.

CORRECTIVE ACTION PLAN (CAP)

Finding 2024-002

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will continue to review auditor prepared financial statements with the intention of understanding and accepting responsibility for reporting under GAAP.

Officer Responsible for Ensuring CAP:

Clerk/Treasurer

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

**CITY OF ATWATER, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2024**

SECTION III: MAJOR FEDERAL AWARDS PROGRAM

Finding 2024-003

Procurement, Suspension and Debarment

Program:

ALN 66.458 Clean Water State Revolving Fund

ALN 66.468 Drinking Water State Revolving Fund

Criteria:

As required by the OMB Uniform Guidance (2 CFR § 200.318(a)), a non-federal entity must use its own documented procurement procedures, provided that they conform to Federal law and the standards outlined in the Uniform Guidance.

Condition:

The City's procurement procedures do not conform to Uniform Guidance requirements.

Effect:

There is an increased risk of noncompliance with federal awards.

Questioned Costs:

N/A

Cause:

The City has not revised procurement procedures for many years.

Recommendation:

We recommend that the City revise their procurement procedures to conform with Minnesota statutes and Uniform Guidance.

CORRECTIVE ACTION PLAN (CAP)

Finding 2024-003

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will update procurement procedures to conform with Minnesota statutes and Uniform Guidance.

Officer Responsible for Ensuring CAP:

Clerk/Treasurer

Planned Completion Date:

12/31/2025

Plan to Monitor Completion of CAP:

Council to monitor

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

None reported



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CORRECTIVE ACTION PLAN

City of Atwater, Minnesota respectfully submits the following corrective action plan.

Audit Period: Year Ending December 31, 2024

FINDINGS – FINANCIAL STATEMENT

Finding 2024-001

Condition:

Due to the limited size of the City's staff, the City has limited segregation of duties.

Actions Planned in Response to Finding:

The City reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Officer Responsible for Ensuring CAP:

Mayor and Council

Planned Completion Date:

Not Applicable

Finding 2024-002

Condition:

The City relies upon the auditor to prepare the financial statements and related disclosures in accordance with GAAP.

Actions Planned in Response to Finding:

The City will continue to review auditor prepared financial statements with the intention of understanding and accepting responsibility for reporting under GAAP.

Officer Responsible for Ensuring CAP:

Goldie Smith, Clerk/Treasurer

Planned Completion Date:

Not Applicable



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CORRECTIVE ACTION PLAN

FINDINGS – FEDERAL AWARDS PROGRAM

Finding 2024-003

Procurement, Suspension and Debarment

Programs: ALN 66.458 Clean Water State Revolving Fund
ALN 66.468 Drinking Water State Revolving Fund

Condition:

The City's procurement procedures do not conform to Uniform Guidance requirements.

Corrective Action Planned:

The City will update procurement procedures to conform with Minnesota statutes and Uniform Guidance.

Officer Responsible for Ensuring CAP:

Goldie Smith, Clerk/Treasurer

Planned Completion Date:

12/31/2025



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2024**

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2023-001

Condition:

Due to the limited size of the City's staff, the City has limited segregation of duties.

Recommendation:

We recommend that the City continue to separate incompatible duties as best it can within the limits of what the City considers to be cost beneficial.

Current Status:

Unresolved

Finding 2023-002

Condition:

The City relies upon the auditor to prepare the financial statements and related disclosures in accordance with GAAP.

Recommendation:

We recommend that the City continue to review the auditor prepared financial statements with the intention of understanding and accepting responsibility for reporting under GAAP.

Current Status:

Unresolved