

Management Report  
for  
City of Burnsville, Minnesota  
December 31, 2024



Certified Public Accountants Business Consultants

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To the City Council and Management  
City of Burnsville, Minnesota

We have prepared this management report in conjunction with our audit of the City of Burnsville, Minnesota's (the City) financial statements for the year ended December 31, 2024. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads 'LB Carlson, LLP'.

LB CARLSON, LLP  
Minneapolis, Minnesota

June 9, 2025

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## AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

### **OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

### **AUDIT OPINIONS AND FINDINGS**

Based on our audit of the City's financial statements for the year ended December 31, 2024:

- We have issued unmodified opinions on the City's basic financial statement. Our report included a paragraph emphasizing the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year. Our opinion was not modified with respect to this matter.
- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the City has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no deficiencies in the City's internal controls over compliance that we considered to be material weaknesses with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported one finding based on our testing of the City's compliance with Minnesota laws and regulations. We noted that 2 of 25 disbursements tested were not paid within the 35-day period as required by Minnesota Statutes § 471.425, Subd. 2.

## SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2024. However, the City implemented the following governmental accounting standard during the fiscal year:

- As described in Note 1 of the notes to the basic financial statements, the City implemented GASB Statement No. 101, *Compensated Absences*, during fiscal year ended December 31, 2024. This standard changed the recognition and measurement of the compensated absences liability reported by the City. This change resulted in a restatement, which decreased beginning net position in the government-wide Statement of Activities by \$326,325 and \$20,883 for the governmental activities and business-type activities, respectively. In the proprietary fund financial statements, beginning net position was reduced by \$9,286, \$4,644, and \$6,953 for the Water and Sewer, Storm Water, and nonmajor enterprise funds, respectively, and \$326,325 for the Internal Service Fund.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

## ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- **Depreciation/Amortization** – Management's estimates of depreciation and amortization expense are based on the estimated useful lives of the assets.
- **Other Post-Employment Benefits (OPEB) and Pension Benefits** – The City has recorded liabilities and activity for OPEB and pension benefits. These obligations are calculated using actuarial methodologies described in GASB Statement Nos. 68 and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.
- **Compensated Absences** – Management's estimate is based on current rates of pay and unused compensated absence balances, and the likelihood compensated absences will be paid out over the course of employment or at termination.
- **Dental Self Insurance** – The City's self-insured activity requires recording a liability for claims incurred, but not yet reported, which is based on estimates.

We evaluated the key factors and assumptions used by management to develop these accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

The financial statement disclosures are neutral, consistent, and clear.

## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## **DISAGREEMENTS WITH MANAGEMENT**

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated June 9, 2025.

## **MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **OTHER MATTERS**

We applied certain limited procedures to the management's discussion and analysis (MD&A) and the pension and OPEB-related required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



## GOVERNMENTAL FUNDS OVERVIEW

This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

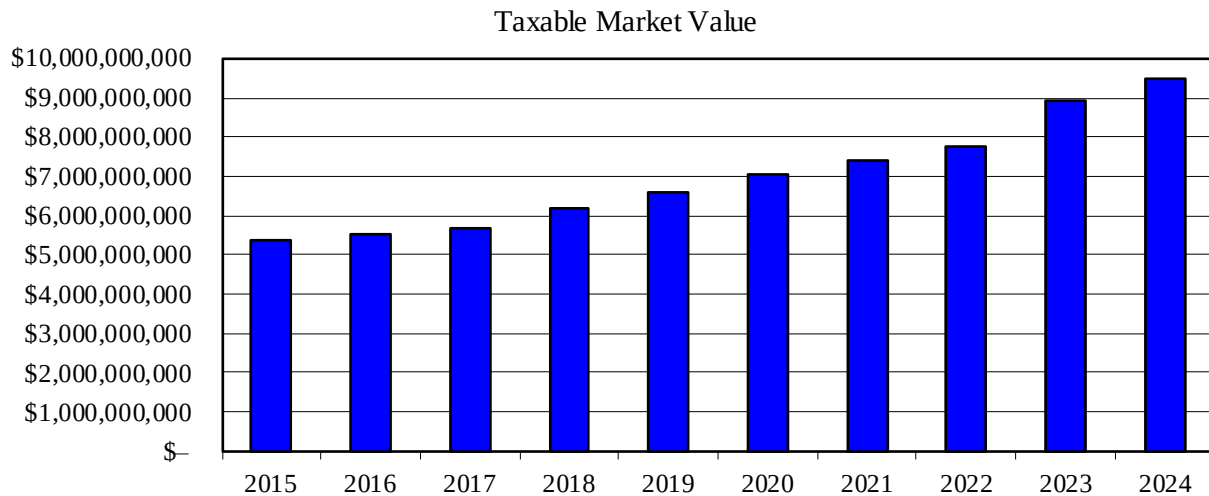
### PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2022 fiscal year (the most recent comparative state-wide data available), local ad valorem property tax levies provided 44.1 percent of the total governmental fund revenues for cities over 2,500 in population, and 35.2 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2024 increased 7.5 percent compared to the prior year, and 7.7 percent for taxes payable in 2025.

The total tax capacity value of property in Minnesota cities increased about 8.4 percent for the 2024 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2024 were based on assessed market values as of January 1, 2023), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

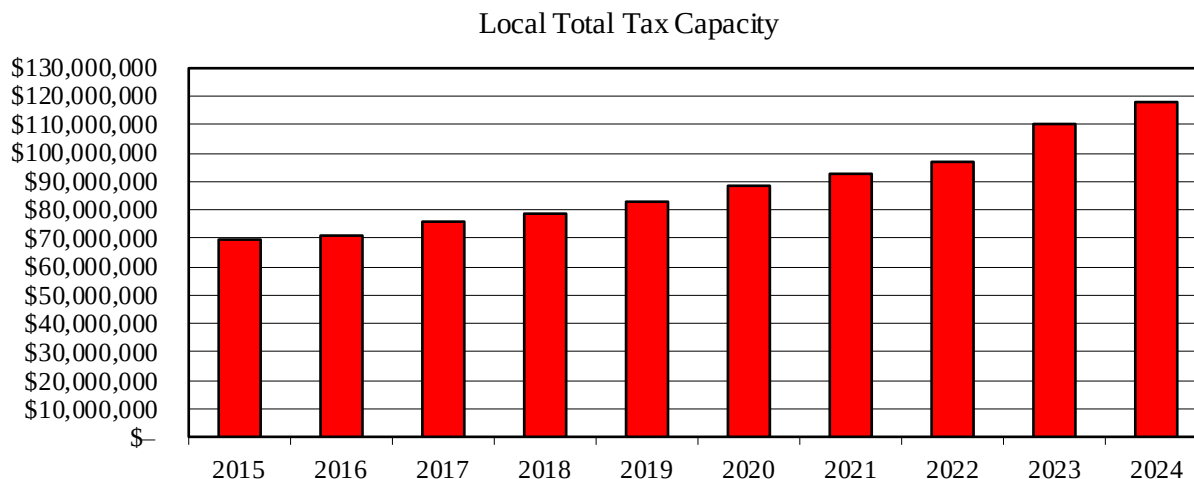
The City's taxable market value increased 15.5 percent for taxes payable in 2023 and increased 6.1 percent for taxes payable in 2024.

The following graph shows the City's changes in taxable market value over the past 10 years:



Tax capacity is considered the actual base available for taxation. It is calculated by applying the state's property classification system to each property's market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city's total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City's tax capacity increased 13.8 percent and 7.1 percent for taxes payable in 2023 and 2024, respectively.

The following graph shows the City's change in total tax capacities over the past 10 years:



The following table presents the average tax rates applied to city residents for each of the last three levy years:

| <b>Rates Expressed as a Percentage of Net Tax Capacity</b> |                    |             |             |
|------------------------------------------------------------|--------------------|-------------|-------------|
|                                                            | City of Burnsville |             |             |
|                                                            | 2022               | 2023        | 2024        |
| <b>Average tax rate</b>                                    |                    |             |             |
| City                                                       | 43.1               | 42.4        | 42.5        |
| County                                                     | 21.6               | 18.8        | 18.3        |
| School                                                     | 19.1               | 19.4        | 17.0        |
| Special taxing                                             | 3.7                | 3.9         | 4.1         |
| Total                                                      | <u>87.5</u>        | <u>84.5</u> | <u>81.9</u> |

The total average tax rate decreased from the prior year, due to the decline in the school and county rates offset by an increase in the city and special taxing rate.

## GOVERNMENTAL FUND REVENUES

The following table presents the per capita revenue of the City's governmental funds for the past four years, along with state-wide averages.

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City's data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city's stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year, due to the effect of inflation and changes in its operation. Also, certain data in these tables may be classified differently than how they appear in the City's financial statements in order to be more comparable to the state-wide information, particularly in separating capital expenditures from current expenditures.

We have designed this section of our management report using per capita data in order to better identify unique or unusual trends and activities of the City. We intend for this type of comparative and trend information to complement, rather than duplicate, information in the MD&A. An inherent difficulty in presenting per capita information is the accuracy of the population count, which for most years is based on estimates.

| <b>Governmental Funds Revenue per Capita</b><br>With State-Wide Averages by Population Class |                   |                   |                    |                 |                 |                 |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|-----------------|-----------------|-----------------|
| Year<br>Population                                                                           | State-Wide        |                   | City of Burnsville |                 |                 |                 |
|                                                                                              | December 31, 2021 | December 31, 2022 | 2021               | 2022            | 2023            | 2024            |
|                                                                                              | 20,000–100,000    | 20,000–100,000    | 64,627             | 64,522          | 65,327          | 65,327          |
| Property taxes                                                                               | \$ 557            | \$ 584            | \$ 609             | \$ 637          | \$ 716          | \$ 773          |
| Tax increments                                                                               | 49                | 46                | 1                  | 1               | 2               | 5               |
| Franchise fees and other taxes                                                               | 53                | 58                | 94                 | 96              | 95              | 93              |
| Special assessments                                                                          | 56                | 50                | 27                 | 27              | 26              | 26              |
| Licenses and permits                                                                         | 53                | 55                | 45                 | 48              | 41              | 42              |
| Intergovernmental revenues                                                                   | 202               | 223               | 136                | 206             | 185             | 136             |
| Charges for services                                                                         | 110               | 137               | 100                | 119             | 143             | 138             |
| Other                                                                                        | 26                | (21)              | 32                 | 44              | 94              | 108             |
| Total revenue                                                                                | <u>\$ 1,106</u>   | <u>\$ 1,132</u>   | <u>\$ 1,044</u>    | <u>\$ 1,178</u> | <u>\$ 1,302</u> | <u>\$ 1,321</u> |

The City has generated more property tax revenue per capita for its governmental funds than the average Minnesota city. The City receives less special assessment revenue than comparable cities, as the City tends to finance capital projects with other revenue sources. The City traditionally receives a lower level of intergovernmental revenue than the average city, causing the City to rely on property taxes and other forms of revenue to operate the governmental activities of the City.

Total revenue for the City's governmental funds for 2024 was \$86,297,889, an increase of \$1,239,655 (1.5 percent) from the prior year. On a per capita basis, the City's governmental funds revenue for 2024 was \$1,321, an increase of \$19 from the prior year. The largest increases were in property taxes and other, which increased \$57 and \$14 per capita, respectively. Property tax revenues were up with the increased property tax levy approved by the City Council. Other revenue increased, mainly with increased park dedication fees received. These increases were offset by a decrease in intergovernmental revenues of \$49 per capita, mainly due to a one-time state public safety grant recognized in the prior year and due to a decrease in intergovernmental revenue received for street improvement projects.

## GOVERNMENTAL FUNDS EXPENDITURES

The expenditures of governmental funds will also vary from state-wide averages and from year-to-year, based on the City's circumstances. Expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, and are primarily funded by general sources, such as taxes and intergovernmental revenues.
- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented, and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.
- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The City's expenditures per capita of its governmental funds for the past four years, together with comparative state-wide averages, are presented in the following table:

| <b>Governmental Funds Expenditures per Capita</b><br>With State-Wide Averages by Population Class |                   |                   |                    |          |          |          |            |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|----------|----------|----------|------------|
| Year                                                                                              | State-Wide        |                   | City of Burnsville |          |          |          | Population |
|                                                                                                   | December 31, 2021 | December 31, 2022 | 2021               | 2022     | 2023     | 2024     |            |
|                                                                                                   | 20,000–100,000    | 20,000–100,000    | 64,627             | 64,522   | 65,327   | 65,327   |            |
| <b>Current</b>                                                                                    |                   |                   |                    |          |          |          |            |
| General government                                                                                | \$ 116            | \$ 126            | \$ 119             | \$ 142   | \$ 134   | \$ 155   |            |
| Public safety                                                                                     | 327               | 347               | 410                | 464      | 484      | 529      |            |
| Public works                                                                                      | 112               | 120               | 128                | 124      | 136      | 132      |            |
| Recreation                                                                                        | 107               | 117               | 17                 | 19       | 20       | 21       |            |
| All other                                                                                         | 77                | 92                | 33                 | 68       | 29       | 42       |            |
| Total current                                                                                     | 739               | 802               | 707                | 817      | 803      | 879      |            |
| <b>Capital outlay and construction</b>                                                            |                   |                   |                    |          |          |          |            |
|                                                                                                   | 317               | 346               | 407                | 253      | 183      | 235      |            |
| <b>Debt service</b>                                                                               |                   |                   |                    |          |          |          |            |
| Principal                                                                                         | 110               | 117               | 71                 | 76       | 84       | 88       |            |
| Interest and fiscal                                                                               | 34                | 32                | 24                 | 22       | 22       | 22       |            |
| Total debt service                                                                                | 144               | 149               | 95                 | 98       | 106      | 110      |            |
| Total expenditures                                                                                | \$ 1,200          | \$ 1,297          | \$ 1,209           | \$ 1,168 | \$ 1,092 | \$ 1,224 |            |

The City's current operating costs have generally been higher than average for public safety, which is partially caused by the City having a full-time fire department. The City's expenditures relating to parks are included within the public works function instead of recreation, resulting in higher per capita expenditures than average for public works and lower than average for recreation. The change in current expenditures is mainly in public safety and general government. Public safety increased \$45 per capita, mainly in the police and fire departments. The increase in general government of \$21 per capita is mainly in the manager and administration, information technologies, and insurance departments. The increase in capital outlay and construction is due to professional service costs for the police/city hall renovation in the current year. Debt service expenditures have generally been lower than state-wide averages for cities in the same population class.

## GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2024, presented both by fund balance classification and by major fund:

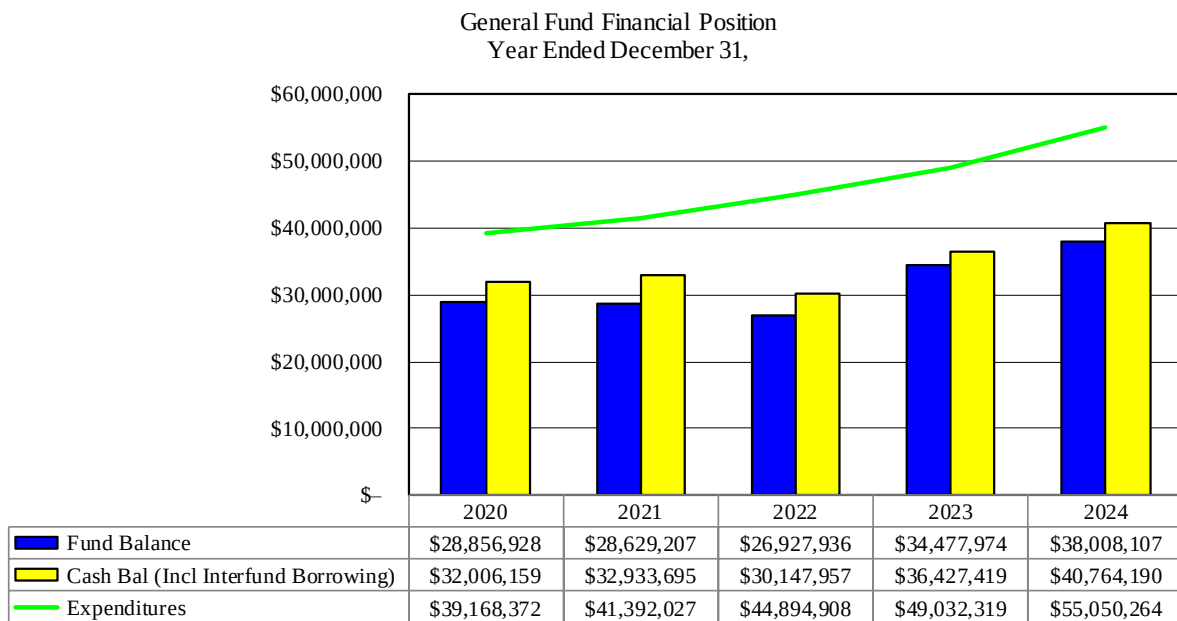
| <b>Governmental Funds Change in Fund Balance</b> |                                    |                      |                     |
|--------------------------------------------------|------------------------------------|----------------------|---------------------|
|                                                  | Fund Balance<br>as of December 31, |                      |                     |
|                                                  | <u>2024</u>                        | <u>2023</u>          | <u>Change</u>       |
| Fund balances of governmental funds              |                                    |                      |                     |
| Total by classification                          |                                    |                      |                     |
| Nonspendable                                     | \$ 1,742,314                       | \$ 1,774,421         | \$ (32,107)         |
| Restricted                                       | 8,913,344                          | 11,704,799           | (2,791,455)         |
| Committed                                        | 17,797,111                         | 17,914,885           | (117,774)           |
| Assigned                                         | 24,909,427                         | 15,190,269           | 9,719,158           |
| Unassigned                                       | <u>32,062,519</u>                  | <u>28,968,517</u>    | <u>3,094,002</u>    |
| Total governmental funds                         | <u>\$ 85,424,715</u>               | <u>\$ 75,552,891</u> | <u>\$ 9,871,824</u> |
| Total by fund                                    |                                    |                      |                     |
| General                                          | \$ 38,008,107                      | \$ 34,477,974        | \$ 3,530,133        |
| G.O. Improvement Bonds                           | 4,018,386                          | 4,157,991            | (139,605)           |
| Infrastructure Trust                             | 1,896,002                          | 3,278,159            | (1,382,157)         |
| Improvement Construction                         | (217,271)                          | (1,658,635)          | 1,441,364           |
| Facilities                                       | 11,075,486                         | 11,098,204           | (22,718)            |
| Nonmajor funds                                   | <u>30,644,005</u>                  | <u>24,199,198</u>    | <u>6,444,807</u>    |
| Total governmental funds                         | <u>\$ 85,424,715</u>               | <u>\$ 75,552,891</u> | <u>\$ 9,871,824</u> |

In total, the fund balances of the City's governmental funds increased by \$9,871,824 during the year ended December 31, 2024. Assigned fund balances increased \$9,719,158, mainly due to amounts assigned for subsequent year's budget, equipment and vehicles, and parks renovation and investment. Unassigned fund balance increased with an increase in fund balance in the General Fund and Improvement Construction Fund. These increases were offset by a decrease in restricted fund balance of \$2,791,455, mainly due to a one-time public safety state grant recognized in the prior year.

## GENERAL FUND

The City's General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and culture and recreation.

The graph below illustrates the change in the General Fund financial position over the last five years. We have also included an expenditure line to reflect the change in the size of the General Fund operation over the same period:

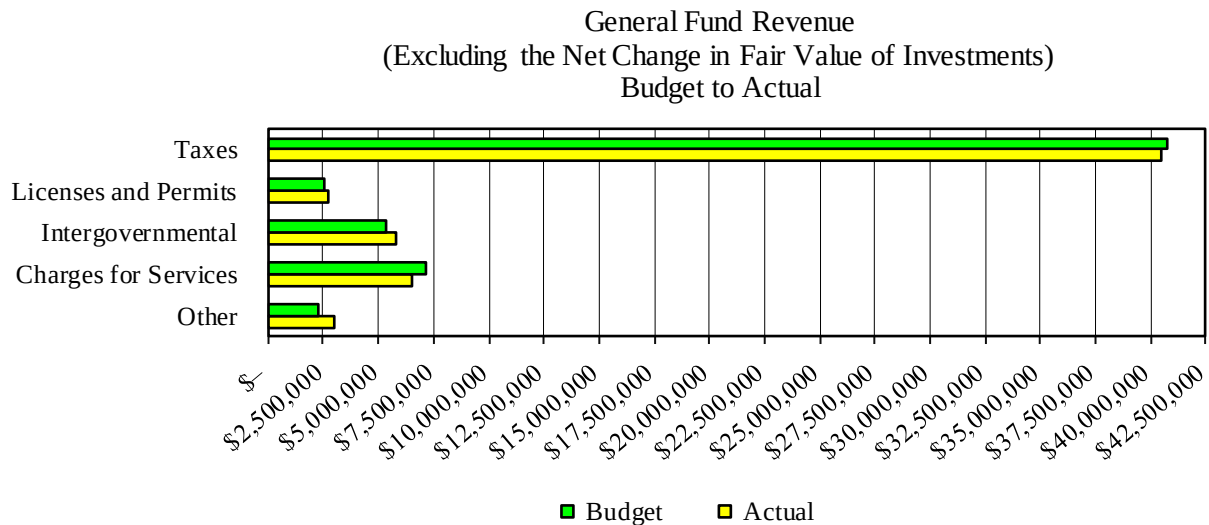


The City's General Fund cash and investments balance (including interfund borrowing) at December 31, 2024 was \$40,764,190, an increase of \$4,336,771 from the previous year. Total fund balance at December 31, 2024 was \$38,008,107, an increase of \$3,530,133 from the prior year. Of this amount, \$1,742,314 is in nonspendable, \$529,838 is restricted for landfill abatement, \$2,129,120 is assigned for subsequent year's budget, and \$33,606,835 is unassigned. The fund balance represents 62 percent of the subsequent year's General Fund budgeted use of funds. The City's fund balance policy has a stated goal to maintain a minimum of 40 percent fund balance as a percentage of the subsequent year's budgeted use of funds.

As the graph illustrates, the City has generally been able to maintain stable cash and fund balance levels as the volume of financial activity has fluctuated. This is an important factor because governments, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City's bond rating and resulting interest costs.

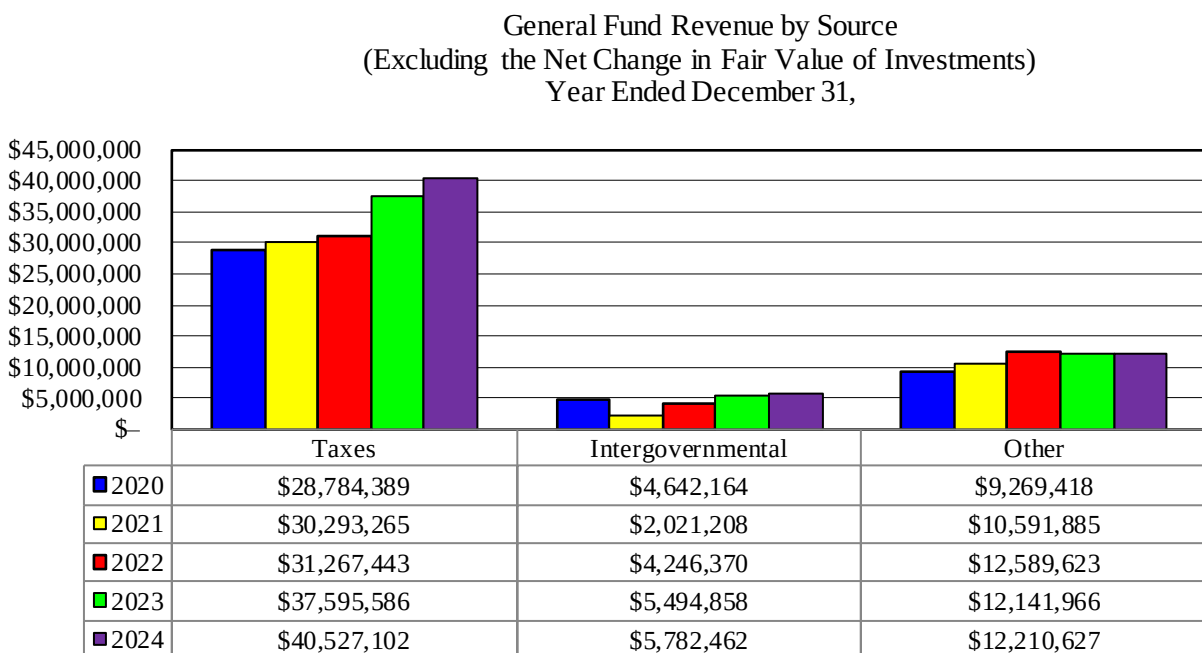
A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City's General Fund cash disbursements are made fairly evenly during the year other than the impact of seasonal services, such as snowplowing, street maintenance, and park activities. Cash receipts of the General Fund are quite a different story. Property taxes comprise approximately 68.0 percent of the fund's total annual revenue. Approximately half of these revenues are received by the City in July and the rest in December. Consequently, the City needs to have adequate cash reserves to finance its everyday operations between these payments.

The following graph reflects the City's General Fund revenue sources for 2024 compared to budget, excluding the net change in the fair value of investments, which is not budgeted by the City:



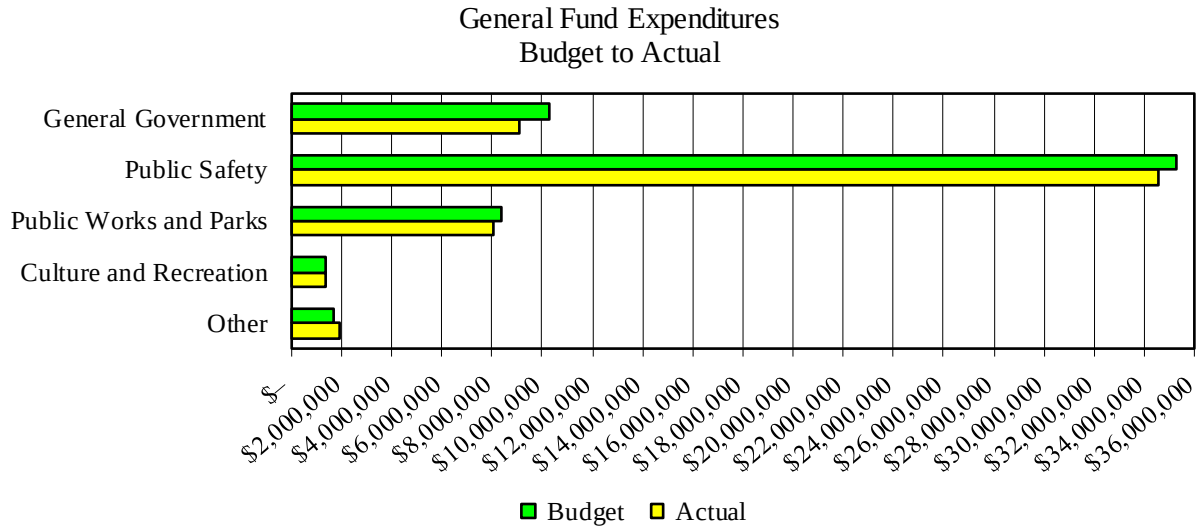
Total General Fund revenues (excluding the net change in fair value of investments) for 2024 were \$422,650 (0.7 percent) over the final budget. Other revenue, as shown above, was over budget by \$686,056, mainly due to higher than anticipated investment earnings. Intergovernmental revenues were over budgeted amounts by \$452,537, mainly due to conservative budgeting in police and maintenance aid. These variances were offset by charges for services, which were \$623,749 under budget, mainly in engineering services and emergency management services.

The following graph presents the City's General Fund revenue sources for the last five years:



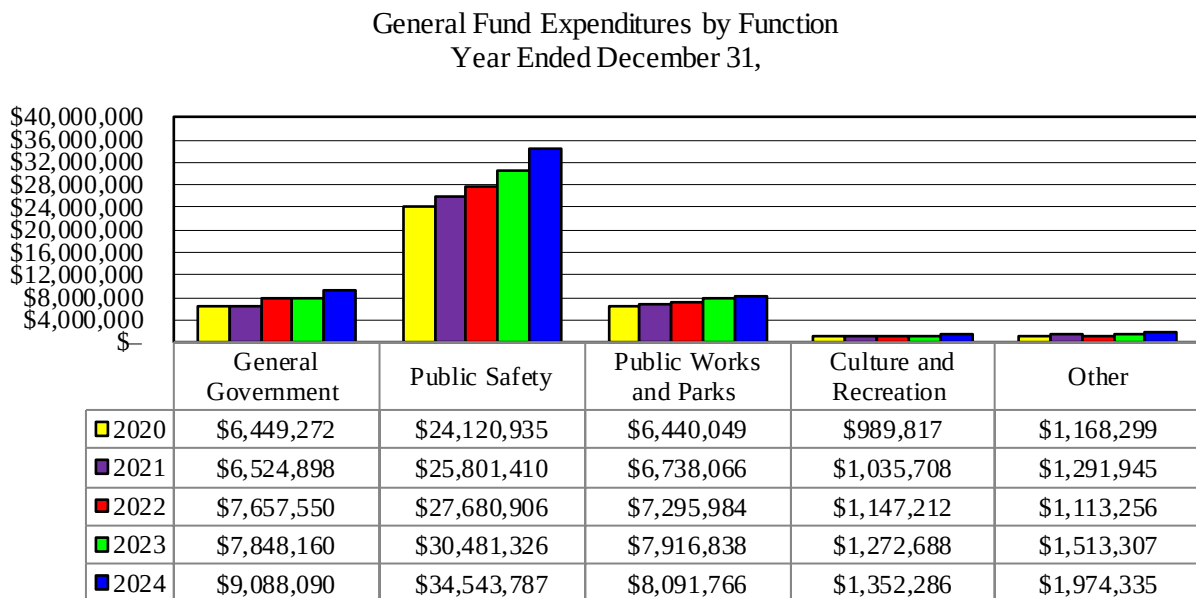
Total General Fund revenue (excluding the net change in fair value of investments) for 2024 was \$58,520,191, an increase of \$3,287,781 from the prior year. Tax revenues increased \$2,931,516 due to the increase in the general property tax levy approved by the City Council for 2024.

The following graph reflects the City's General Fund expenditures compared to budget for 2024:



Total General Fund expenditures for 2024 were \$55,050,264, an increase of \$6,017,945 (12.3 percent) from the prior year, and \$1,904,040 (3.3 percent) less than the final budget. General government expenditures were \$1,165,694 under budget, which was spread across various departments. The largest department under budget was information technologies (\$444,385) due to savings for hosted services and maintenance. Communications, manager and administration, and human resources were also under budget \$256,268, \$245,253, and \$235,462, respectively, mainly due to vacant positions in the current year. Public safety expenditures were \$713,353 under budget, mainly due to vacant positions in the police and inspections departments.

The following graph presents the City's General Fund expenditures by function for the last five years:



As noted above, General Fund expenditures increased \$6,017,945 from the prior year, mainly in the public safety and general government functions. Public safety expenditures increased \$4,062,461, mainly due to increases in personnel costs related to additional positions approved in the organizational analysis in the police and fire departments. General government expenditures increased \$1,239,930, mainly in the information technologies (\$306,386) department for increased personnel, professional services, and hosted services costs, insurance (\$249,841), and manager and administration (\$212,326) departments related to elections.



## ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which include the Water and Sewer Utility, Storm Water Utility, Ames Center, Ice Arena, Golf Course, and Street Light Utility Funds.

### ENTERPRISE FUNDS FINANCIAL POSITION

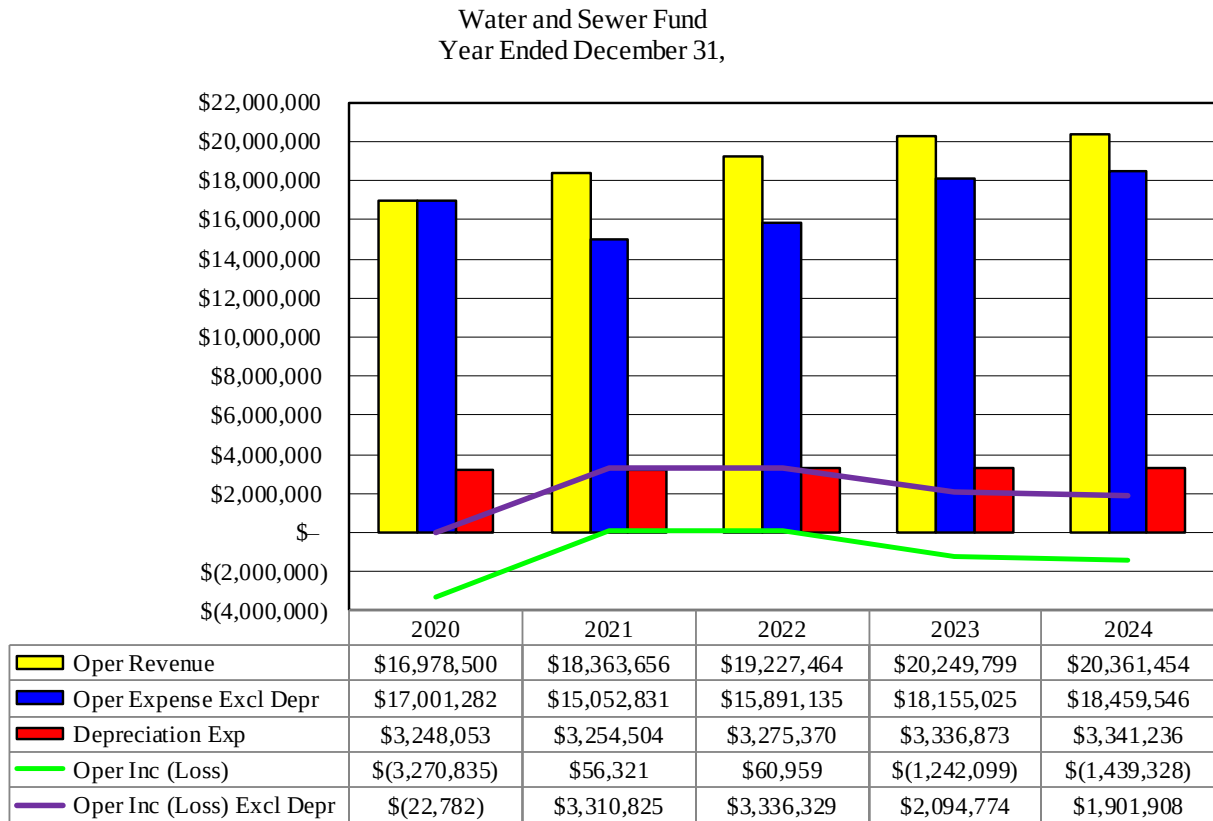
The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2024, presented both by classification and by major fund:

| <b>Enterprise Funds Change in Financial Position</b> |                                    |                       |                       |
|------------------------------------------------------|------------------------------------|-----------------------|-----------------------|
|                                                      | Net Position<br>as of December 31, |                       |                       |
|                                                      | 2024                               | 2023                  | Change                |
| Net position of enterprise funds                     |                                    |                       |                       |
| Total by classification                              |                                    |                       |                       |
| Net investment in capital assets                     | \$ 95,691,405                      | \$ 99,024,723         | \$ (3,333,318)        |
| Unrestricted                                         | 29,893,331                         | 29,143,553            | 749,778               |
| Total enterprise funds                               | <u>\$ 125,584,736</u>              | <u>\$ 128,168,276</u> | <u>\$ (2,583,540)</u> |
| Total by fund                                        |                                    |                       |                       |
| Water and Sewer                                      | \$ 59,453,296                      | \$ 61,583,414         | \$ (2,130,118)        |
| Storm Water                                          | 43,267,353                         | 43,055,667            | 211,686               |
| Ames Center                                          | 16,446,281                         | 16,862,385            | (416,104)             |
| Nonmajor funds                                       | 6,417,806                          | 6,666,810             | (249,004)             |
| Total enterprise funds                               | <u>\$ 125,584,736</u>              | <u>\$ 128,168,276</u> | <u>\$ (2,583,540)</u> |

In total, the net position of the City's enterprise funds decreased by \$2,583,540 during the year ended December 31, 2024, including a \$20,883 reduction to beginning net position for the change in accounting principle discussed previously, and a decrease of \$2,562,657 from current year operations. The decrease in net position was mainly in the net investment in capital assets in the Water and Sewer Fund, due to increased depreciation on assets and the pay down of debt in the current year.

## WATER AND SEWER FUND

The following graph presents five years of operating results for the Water and Sewer Fund:



The Water and Sewer Fund ended 2024 with a net position of \$59,453,296, a decrease of \$2,130,118 from the prior year, including the change in accounting principle. Of this, \$44,863,937 represents the net investment in water and sewer distribution system capital assets, leaving \$14,589,359 of unrestricted net position.

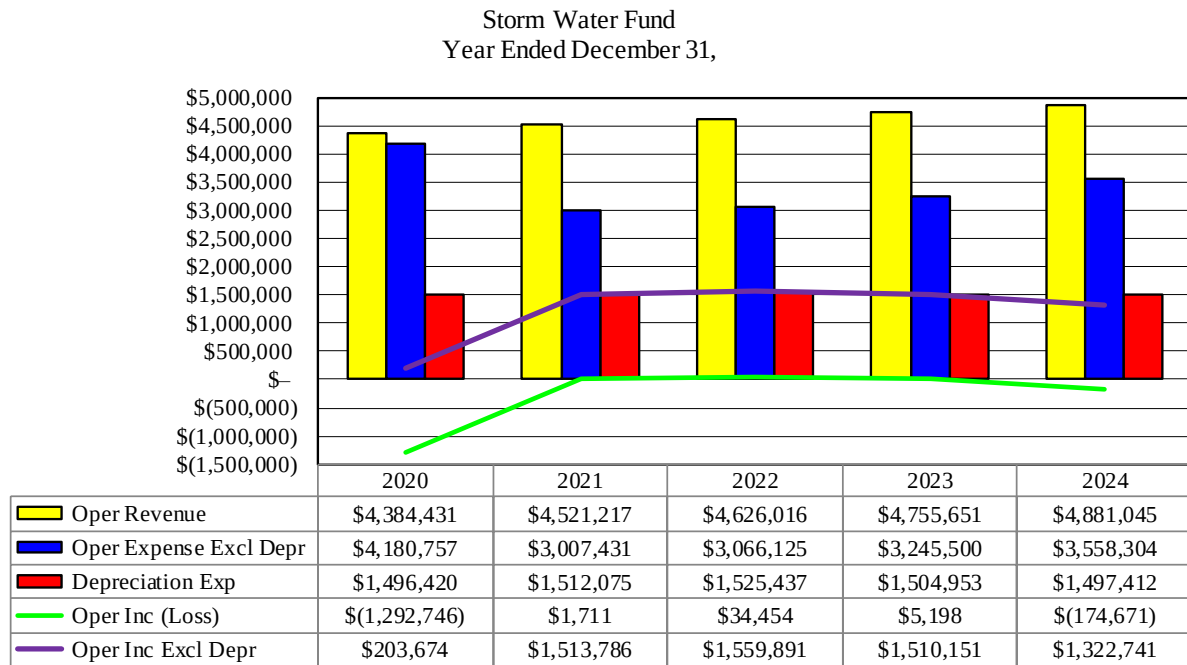
Water and Sewer Fund operating revenue was \$20,361,454 for 2024, an increase of \$111,655 from 2023, due to an approved rate increase.

Operating expenses, excluding depreciation, were \$304,521 more than last year, mainly due to an increase in personnel services costs and sanitary sewer disposal costs.

Although this fund is in a healthy financial position, we suggest that the City continue to review the water and sewer rates on an annual basis. Water and sewer rates are generally designed to cover operating costs, and provide an accumulation of resources for significant repairs and replacements, and an operating cushion for potential negative years in financial operations.

## STORM WATER FUND

The following graph presents five years of operating results for the Storm Water Fund:

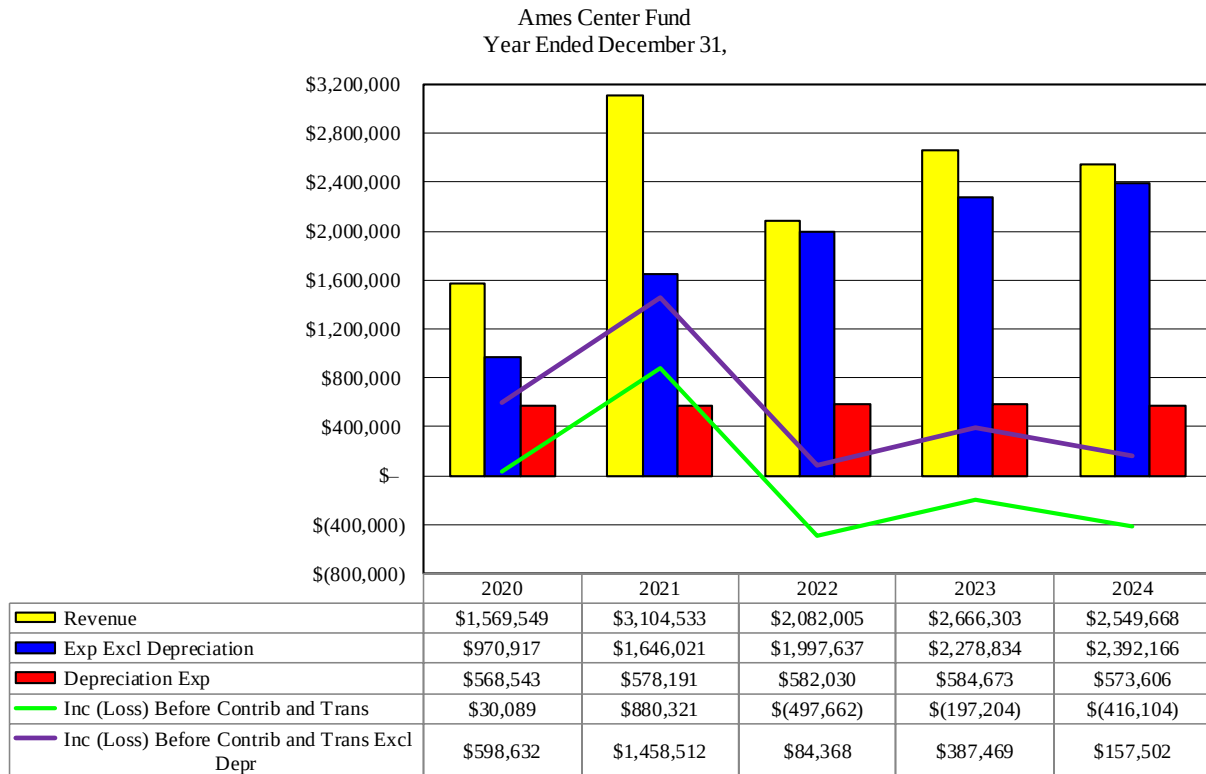


The Storm Water Fund ended 2024 with a net position of \$43,267,353, an increase of \$211,686 from the prior year, including the change in accounting principle. Of this, \$33,012,419 represents the net investment in storm water capital assets, leaving \$10,254,934 of unrestricted net position.

Storm Water Fund operating revenues for 2024 were \$4,881,045, an increase of \$125,394 from the prior year, due to an approved rate increase. Operating expenses for 2024, excluding depreciation, were \$3,558,304, an increase of \$312,804 from the prior year, mainly due to an increase in personnel services costs and repairs and maintenance costs.

## AMES CENTER FUND

The following graph presents five years of operating results for the Ames Center Fund:

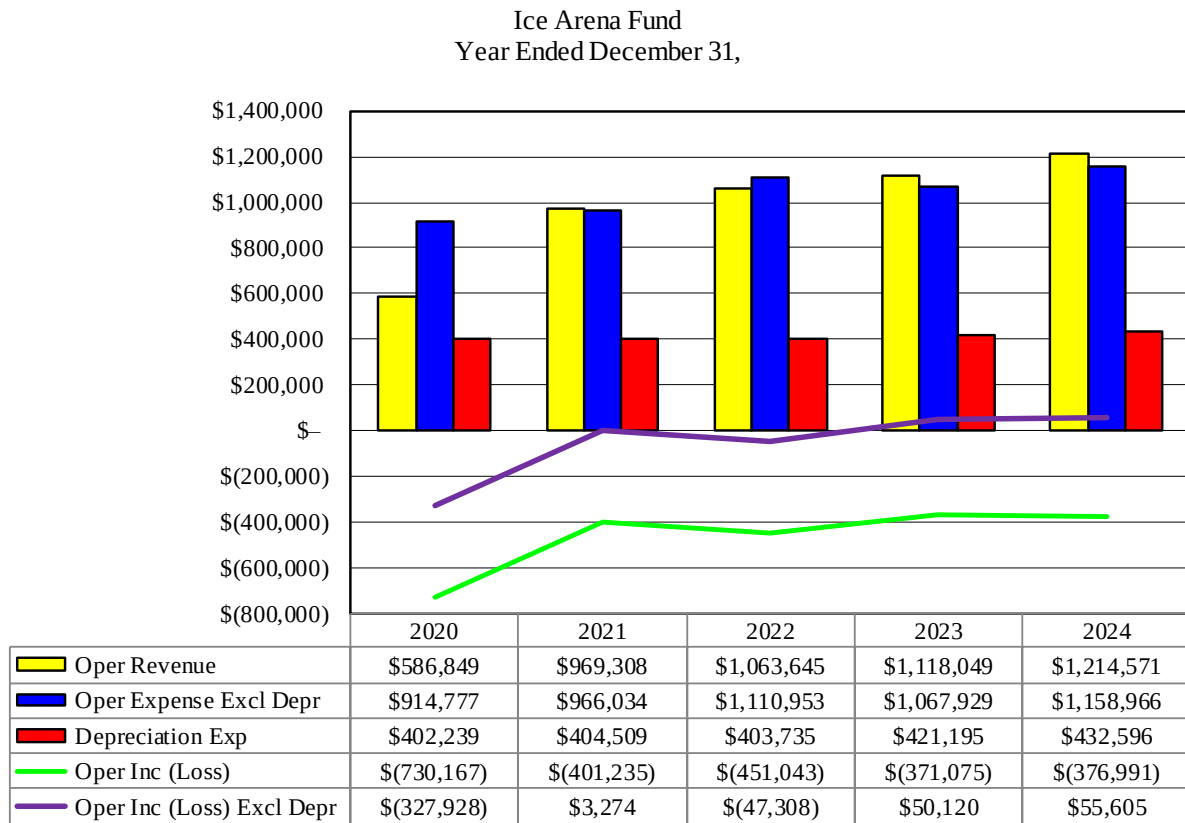


The Ames Center Fund ended 2024 with a net position of \$16,446,281, a decrease of \$416,104 from the prior year. Of this, \$12,764,931 represents the net investment in capital assets, leaving \$3,681,350 of unrestricted net position.

Revenues for 2024 were \$2,549,668, a \$116,635 decrease from last year, due to a decrease in an employee retention tax credit received in the prior year. Expenses for 2024, excluding depreciation, were \$2,392,166, an increase of \$113,332, mainly due to contracted labor and other operating expenses.

## ICE ARENA FUND

The following graph presents five years of operating results for the Ice Arena Fund:

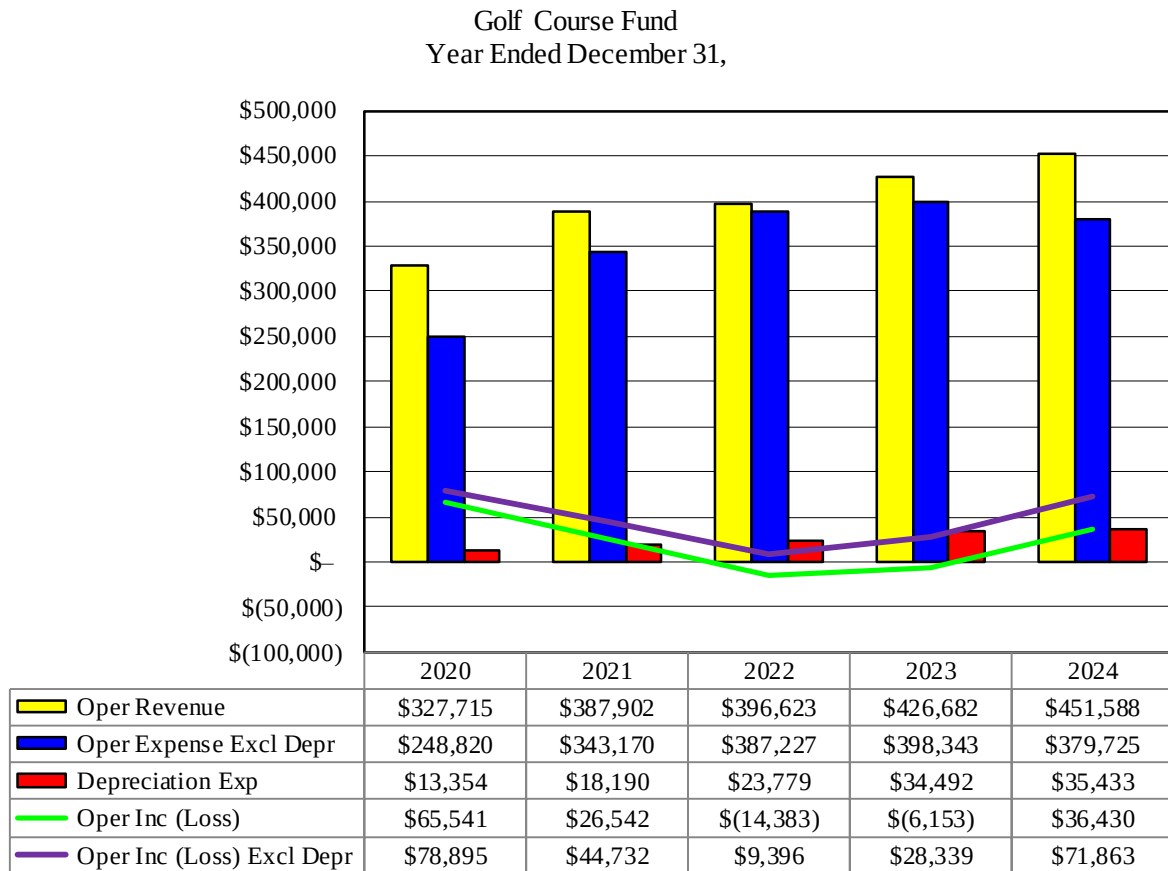


The Ice Arena Fund ended 2024 with a net position of \$3,317,579, a decrease of \$259,563 from the prior year, including the change in accounting principle. Of this, \$3,156,484 represents the investment in ice arena capital assets, leaving \$161,095 of unrestricted net position.

Ice Arena Fund operating revenues for 2024 were \$1,214,571, an increase of \$96,522 from last year, due to increased rentals. Operating expenses for 2024, excluding depreciation, were \$1,158,966, an increase of \$91,037 from the prior year, mainly in personnel services, other operating expenses, and utilities.

## GOLF COURSE FUND

The following graph presents five years of operating results for the Golf Course Fund:

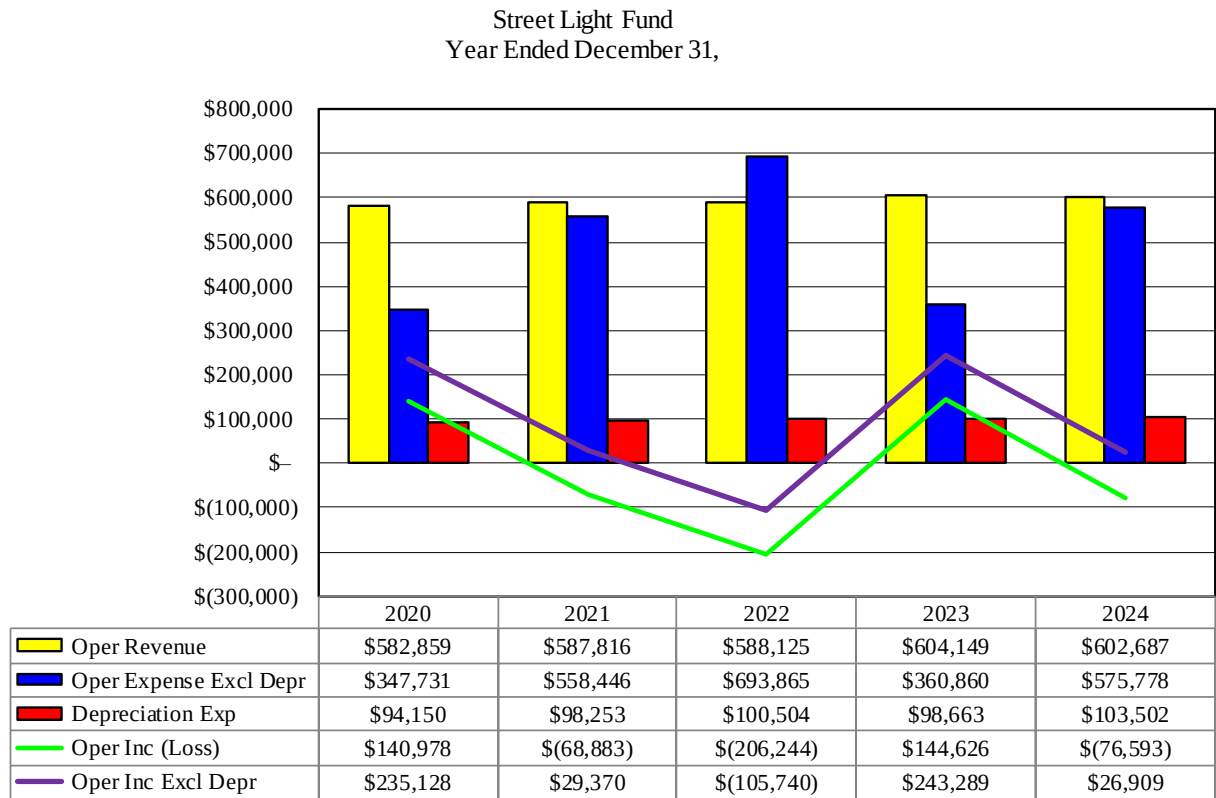


The Golf Course Fund ended 2024 with a net position of \$1,262,272, an increase of \$47,620 from the prior year, including the change in accounting principle. Of this, \$1,161,916 represents the investment in golf course capital assets, leaving \$100,356 of unrestricted net position.

Golf Course Fund operating revenues for 2024 were \$451,588, an increase of \$24,906 from the prior year, mainly from an increase in green fees for rounds played. Operating expenses, excluding depreciation for 2024, were \$379,725, a decrease of \$18,618.

## STREET LIGHT FUND

The following graph presents five years of operating results for the Street Light Fund:



The Street Light Fund ended 2024 with a net position of \$1,837,955, a decrease of \$37,061 from the prior year. Of this, \$731,718 represents the investment in capital assets, leaving \$1,106,237 of unrestricted net position.

Operating revenues for 2024 were \$602,687, a decrease of \$1,462 from the prior year. Operating expenses for 2024, excluding depreciation, were \$575,778, an increase of \$214,918 from the prior year, mainly in repairs and maintenance costs.

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

### STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what the City owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2024 and 2023, for governmental activities and business-type activities:

|                                  | As of December 31,    |                       |                      |
|----------------------------------|-----------------------|-----------------------|----------------------|
|                                  | 2024                  | 2023                  | Change               |
| Net position                     |                       |                       |                      |
| Governmental activities          |                       |                       |                      |
| Net investment in capital assets | \$ 125,189,303        | \$ 120,940,298        | \$ 4,249,005         |
| Restricted                       | 20,327,804            | 19,884,115            | 443,689              |
| Unrestricted                     | 31,525,266            | 16,990,971            | 14,534,295           |
| Total governmental activities    | 177,042,373           | 157,815,384           | 19,226,989           |
| Business-type activities         |                       |                       |                      |
| Net investment in capital assets | 95,691,405            | 99,024,723            | (3,333,318)          |
| Unrestricted                     | 29,893,331            | 29,143,553            | 749,778              |
| Total business-type activities   | 125,584,736           | 128,168,276           | (2,583,540)          |
| Total net position               | <u>\$ 302,627,109</u> | <u>\$ 285,983,660</u> | <u>\$ 16,643,449</u> |

The City's total net position at December 31, 2024 was \$16,643,449 more than the previous year-end, including a \$347,208 reduction to beginning net position for the change in accounting principle discussed previously, and an increase of \$16,990,657 from current year operations.

The governmental activities net investment in capital assets increased with continued investment in infrastructure. Unrestricted net position increased, mainly due to the improved financial position in the General Fund and nonmajor governmental funds.

Changes to the net position of the business-type activities are detailed in the previous discussion of the City's enterprise fund operations.

## STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation/amortization of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in the net position of the City for the years ended December 31, 2024 and 2023:

|                                       | 2024                  |                      |                      | 2023                 |
|---------------------------------------|-----------------------|----------------------|----------------------|----------------------|
|                                       | Expenses              | Program Revenues     | Net Change           | Net Change           |
| Net (expense) revenue                 |                       |                      |                      |                      |
| Governmental activities               |                       |                      |                      |                      |
| General government                    | \$ 10,563,767         | \$ 1,720,669         | \$ (8,843,098)       | \$ (8,844,288)       |
| Public safety                         | 37,938,937            | 9,750,076            | (28,188,861)         | (26,211,092)         |
| Public works and parks                | 17,752,415            | 12,487,588           | (5,264,827)          | (7,609,253)          |
| Culture and recreation                | 1,506,580             | 485,646              | (1,020,934)          | (897,324)            |
| Natural resources                     | 1,899,409             | 431,574              | (1,467,835)          | (1,137,250)          |
| Economic development                  | 883,453               | 410,505              | (472,948)            | (555,300)            |
| Interest on long-term debt            | 1,143,724             | –                    | (1,143,724)          | (1,169,503)          |
| Business-type activities              |                       |                      |                      |                      |
| Water and sewer                       | 22,321,516            | 21,171,041           | (1,150,475)          | (1,339,040)          |
| Storm water                           | 5,055,920             | 5,051,993            | (3,927)              | 193,799              |
| Ames Center                           | 2,965,772             | 2,432,612            | (533,160)            | (288,667)            |
| Ice arena                             | 1,591,562             | 1,279,761            | (311,801)            | (352,339)            |
| Golf course                           | 415,158               | 454,985              | 39,827               | (6,139)              |
| Street light                          | 679,280               | 602,687              | (76,593)             | 144,632              |
| Total net (expense) revenue           | <u>\$ 104,717,493</u> | <u>\$ 56,279,137</u> | (48,438,356)         | (48,071,764)         |
| General revenues                      |                       |                      |                      |                      |
| Property taxes                        |                       |                      | 50,792,604           | 46,790,405           |
| Lodging and franchise taxes           |                       |                      | 6,089,516            | 6,220,619            |
| Unrestricted grants and contributions |                       |                      | 3,612,383            | 3,163,204            |
| Investment earnings                   |                       |                      | 4,934,510            | 4,894,070            |
| Total general revenues                |                       |                      | <u>65,429,013</u>    | <u>61,068,298</u>    |
| Change in net position                |                       |                      | <u>\$ 16,990,657</u> | <u>\$ 12,996,534</u> |

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. It also shows if the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

The net change by function in public safety was due to less operating grants resulting from the one-time public safety funds received in the prior year. The change in public works and parks was due to increased park dedication fees. As previously discussed in this report, property taxes were up with the increased property tax levy approved by the City Council.

## ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years.

### **GASB STATEMENT NO. 102, *CERTAIN RISK DISCLOSURES***

The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. A government will be required to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, a government must assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information (as outlined in the standard) in the notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosures should also include any actions taken by the government to mitigate the risk.

The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

### **GASB STATEMENT NO. 103, *FINANCIAL REPORTING MODEL IMPROVEMENTS***

The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. In addition, this statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement defines unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence, and requires governments to display the inflows and outflows related to each unusual or infrequent item separately.

This statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in the notes to RSI.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

#### **GASB STATEMENT NO. 104, *DISCLOSURE OF CERTAIN CAPITAL ASSETS***

The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets.

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class.

This statement also requires additional disclosures for capital assets held for sale. A capital asset is considered held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. Capital assets held for sale are required to be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.