

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



Certified Public Accountants Business Consultants

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To the City Council and Management  
City of Ramsey, Minnesota

We have prepared this management report in conjunction with our audit of the City of Ramsey, 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 5, 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 AND *GOVERNMENT AUDITING STANDARDS***

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 and *Government Auditing Standards*, 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 statements.
- We reported no deficiencies in the City's internal control over financial reporting that we consider 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 one finding based on our testing of the City's compliance with Minnesota laws and regulations.
  - For one contract tested in the current year, required language for prime contractors to pay subcontractors within 10 days was not included in the contract.

### **OTHER OBSERVATIONS AND RECOMMENDATIONS**

#### **Land Held for Resale**

The City currently holds a material amount of land for resale, which management reports at the lower of cost or acquisition value. City staff has also prepared a schedule comparing the current carrying value of these properties to estimated fair values provided by Anoka County to support these values. We recognize the City is working on an ongoing basis to utilize these assets in the best interest of the City. We recommend that the City continue to review these property values on an ongoing basis to ensure proper reporting of city assets and that financial activity between funds is accurately presented.

## **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.

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:

- **Value of Land Held for Resale** – Management's estimates of these assets are based on net realizable value (lower of cost or acquisition value).
- **Depreciation** – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.
- **Compensated Absences** – Management's estimate is based on current rates of pay, unused compensated absence balances, and the likelihood that unused balances will be used over the course of employment or ultimately paid out at termination.
- **Total Other Post-Employment Benefits (OPEB) and Net Pension Liabilities** – The City has recorded liabilities and activity for OPEB and pension benefits. These obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board 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.

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 5, 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 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 supplementary information, as described in the table of contents, which accompanies the financial statements, but is 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.

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## GOVERNMENTAL FUNDS OVERVIEW

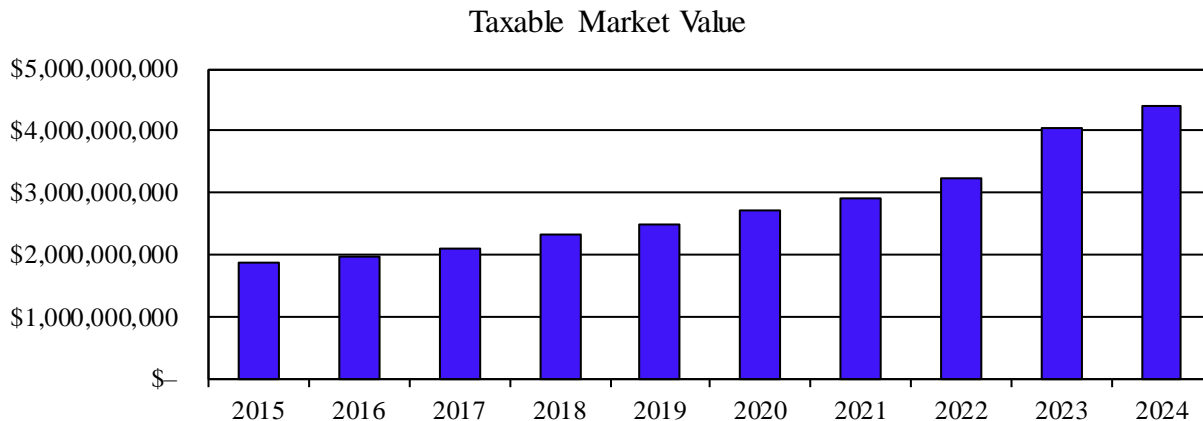
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its 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 and 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.

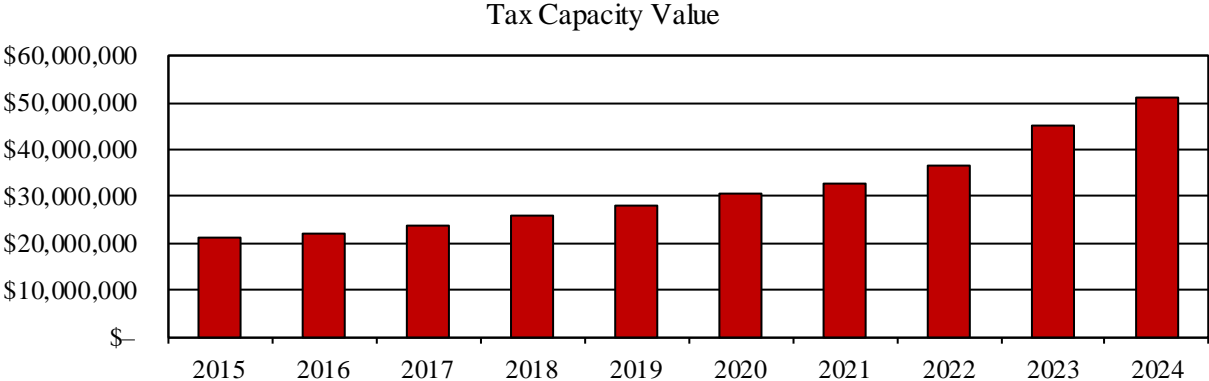
The taxable net tax capacity value of property in Minnesota cities increased about 8.4 percent for the 2024 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2024 were 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 25.1 percent for taxes payable in 2023 and increased 9.1 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 24.3 percent and 12.8 percent for taxes payable in 2023 and 2024, respectively.

The following graph shows the City’s change in 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>ates Expressed as a Percentage of Net Tax Capacit</b>			
	<u>City of Ramsey</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Average tax rate</b>			
City	42.2	40.4	41.4
County	29.6	24.5	25.6
School	16.3	13.7	13.6
Special taxing	<u>4.1</u>	<u>3.5</u>	<u>3.5</u>
<b>Total</b>	<u><u>92.2</u></u>	<u><u>82.1</u></u>	<u><u>84.1</u></u>

The school tax rate for Independent School District No. 11, Anoka-Hennepin, was used for the above table.

The average tax rate was higher than the prior year with increases spread across the city and county taxing authorities presented in the table above. Increases in property valuations contributed to the change in the average tax rate.

## 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 Fund Changes in Fund Balance</b>			
	Fund Balance as of December 31,		Change
	2024	2023	
Fund balances of governmental funds			
Total by classification			
Nonspendable	\$ 14,056	\$ 33,371	\$ (19,315)
Restricted	14,953,404	29,623,622	(14,670,218)
Committed	1,514,777	1,932,107	(417,330)
Assigned	29,749,235	20,878,473	8,870,762
Unassigned	13,311,361	12,237,299	1,074,062
Total governmental funds	<u>\$ 59,542,833</u>	<u>\$ 64,704,872</u>	<u>\$ (5,162,039)</u>
Total by fund			
Major funds			
General	\$ 13,324,373	\$ 12,265,915	\$ 1,058,458
Special revenue funds			
Tax Increment	3,362,513	6,730,012	(3,367,499)
COR Land	8,597,266	8,343,303	253,963
Developer’s Fees	1,056,708	1,441,919	(385,211)
Capital project funds			
RALF Funded Projects	400,837	210,223	190,614
State-Aid Construction	466,915	430,589	36,326
Pavement Management Program	11,918,186	15,004,728	(3,086,542)
Park Improvement	9,087,595	7,683,511	1,404,084
Nonmajor funds	11,328,440	12,594,672	(1,266,232)
Total governmental funds	<u>\$ 59,542,833</u>	<u>\$ 64,704,872</u>	<u>\$ (5,162,039)</u>

In total, the fund balances of the City’s governmental funds decreased by \$5,162,039 during the year ended December 31, 2024.

The decrease was largely in the Tax Increment Special Revenue Fund and the Pavement Management Program Capital Project Fund. The City spent restricted debt proceeds on street and other capital improvements as planned with City Council-approved projects and related debt financing plans.

## GOVERNMENTAL FUNDS REVENUE

The following table presents the per capita revenue of the City’s governmental funds for the past four years, along with available 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>						
With State-Wide Averages						
Year	State-Wide		City of Ramsey			
	2021	2022	2021	2022	2023	2024
Population	20,000–100,000	20,000–100,000	27,946	28,520	28,712	28,850
Property taxes	\$ 557	\$ 584	\$ 468	\$ 549	\$ 623	\$ 695
Tax increments	49	46	63	70	65	114
Franchise fees	53	58	74	–	–	–
Special assessments	56	50	27	4	20	4
Licenses and permits	53	55	33	30	37	56
Intergovernmental revenues	202	223	58	218	192	120
Charges for services	110	137	73	65	45	52
Other	26	(21)	34	44	145	221
<b>Total revenue</b>	<b>\$ 1,106</b>	<b>\$ 1,132</b>	<b>\$ 830</b>	<b>\$ 980</b>	<b>\$1,127</b>	<b>\$1,262</b>

The City’s governmental fund revenues for 2024 were \$36,395,023, an increase of \$4,020,654 (12.4 percent) from the prior year. On a per capita basis, the City received \$1,262 in governmental fund revenue for 2024, an increase of \$135 from the prior year.

A city’s stage of development, along with the way a city finances various capital projects, will affect the mix of revenue sources it receives. Property taxes were up \$72 per capita as anticipated with the approved levy adopted in the current year. Tax increments were up with increased values within tax increment financing districts. Intergovernmental revenues were down with less pandemic-related grants and state road funds recognized in the current year. Other revenues were up \$76 per capita, largely due to increased contributions from development activities and additional local charges recognized in the current year.

## GOVERNMENTAL FUND 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>						
With State-Wide Averages						
Year	State-Wide		City of Ramsey			
	2021	2022	2021	2022	2023	2024
Population	20,000–100,000	20,000–100,000	27,946	28,520	28,712	28,850
<b>Current</b>						
General government	\$ 116	\$ 126	\$ 141	\$ 142	\$ 155	\$ 169
Public safety	327	347	230	239	258	283
Public works	112	120	77	88	193	141
Recreation	107	117	51	51	59	65
All other	77	92	77	38	59	52
	<u>739</u>	<u>802</u>	<u>576</u>	<u>558</u>	<u>724</u>	<u>710</u>
Capital outlay and construction	317	346	573	240	462	550
<b>Debt service</b>						
Principal	110	117	69	67	87	102
Interest and fiscal	34	32	30	22	44	58
	<u>144</u>	<u>149</u>	<u>99</u>	<u>89</u>	<u>131</u>	<u>160</u>
Total expenditures	<u>\$ 1,200</u>	<u>\$ 1,297</u>	<u>\$1,248</u>	<u>\$ 887</u>	<u>\$1,317</u>	<u>\$1,420</u>

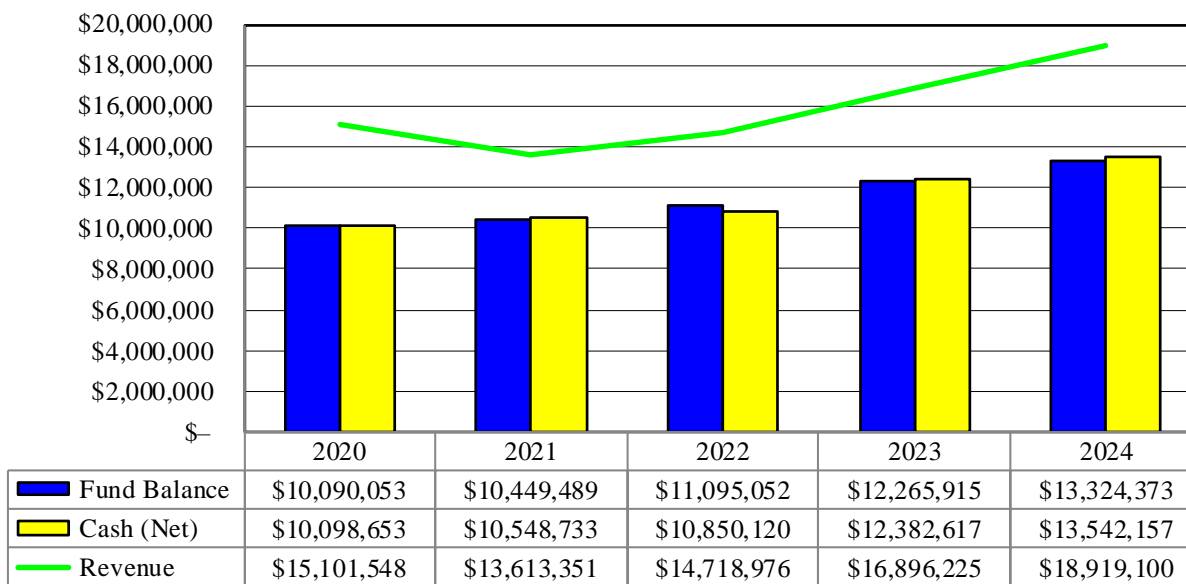
Total expenditures in the City’s governmental funds for 2024 were \$40,956,684, an increase of \$3,127,116 (8.3 percent) over the prior year. On a per capita basis, the City expended a total of \$1,420 in 2024, an increase of \$103 over the previous year.

Current spending was down with less expenditures in public works for street maintenance and repairs. Capital outlay reported the largest change in comparison to the prior year. Capital spending was up in the current year for street reconstruction projects, equipment purchases, and improvements completed in the City’s Center of Ramsey (COR) development. Debt service was up \$29 per capita as anticipated with approved debt financing plans.

## GENERAL FUND FINANCIAL POSITION

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 parks and recreation. The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual revenues to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position  
Year Ended December 31,



The City's General Fund cash and investments balance on December 31, 2024, was \$13,542,157, an increase of \$1,159,540 from the previous year. Total fund balance at year-end was \$13,324,373, an increase of \$1,058,458 from the prior year.

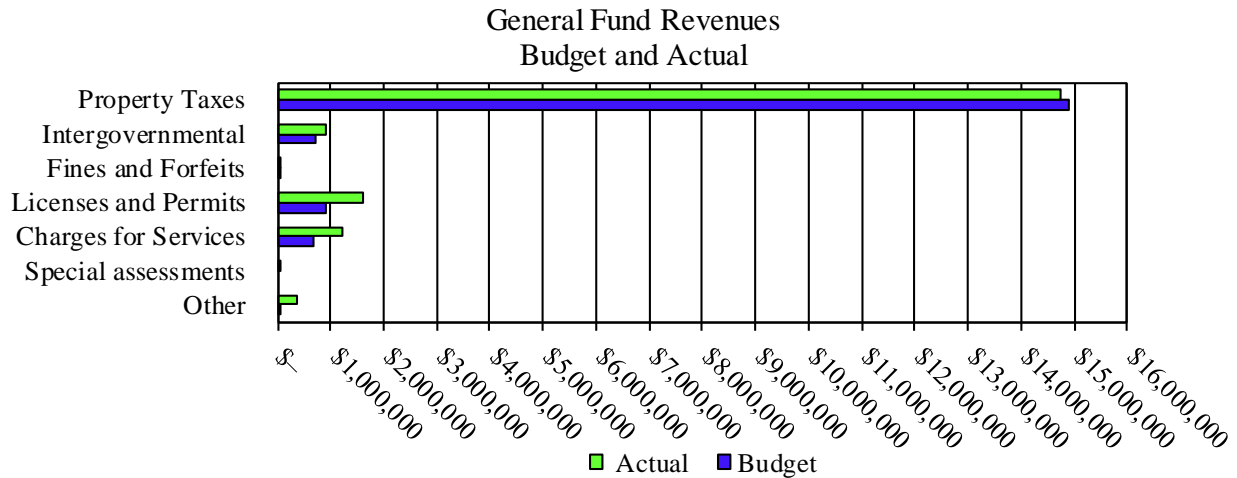
As the graph illustrates, the City has generally been able to maintain healthy cash and fund balance levels as the volume of financial activity has fluctuated. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. A healthy financial 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 about 78.0 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.

As of December 31, 2024, the City continued to meet the fund balance policy goal of the General Fund, which is to maintain an unassigned amount equal to 50.0 percent of the following years adopted operating budget plus prior year encumbrances (if any).

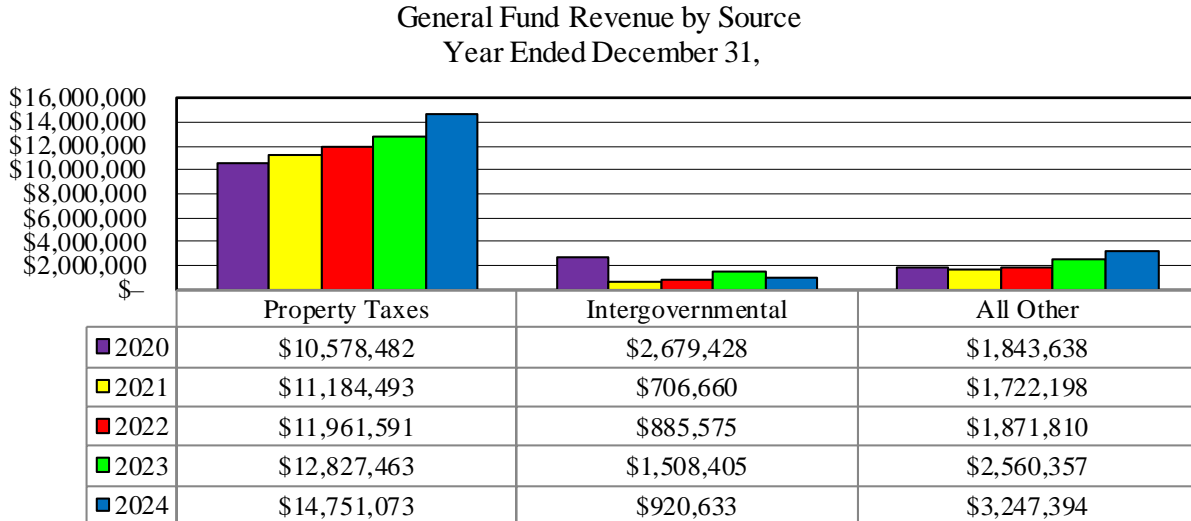
## GENERAL FUND REVENUES

The following graph reflects the City’s General Fund revenue sources for 2024 compared to budget:



General Fund revenue for 2024 was \$18,919,100, which was \$1,556,350 (9.0 percent) more than budget. The budget variance for revenue was largely due to conservative budgeting with most sources surpassing budget expectations. Improved investment earnings, elevated development activity, and federal funding recognized in the current year all contributed to revenues exceeding budget.

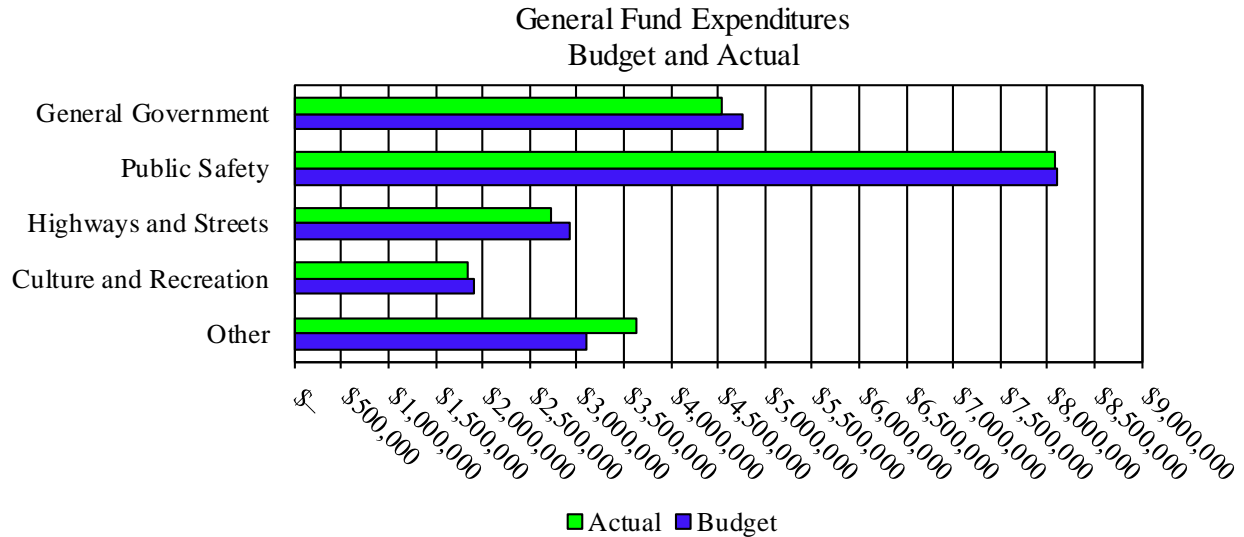
The following graph presents the City’s General Fund revenues by source for the last five years. The graph reflects the City’s reliance on property taxes, which represented 78.0 percent of General Fund revenues in 2024:



Total General Fund revenue for 2024 was \$2,022,875 (12.0 percent) more than last year. The increase in taxes was as anticipated and approved through the annual levy process. Intergovernmental decreased due to recognition of less federal COVID-19-related entitlements reported in the General Fund in the current year. The increase noted in the “all other” category was in remaining various other miscellaneous sources and charges for services during the current year with elevated development activity.

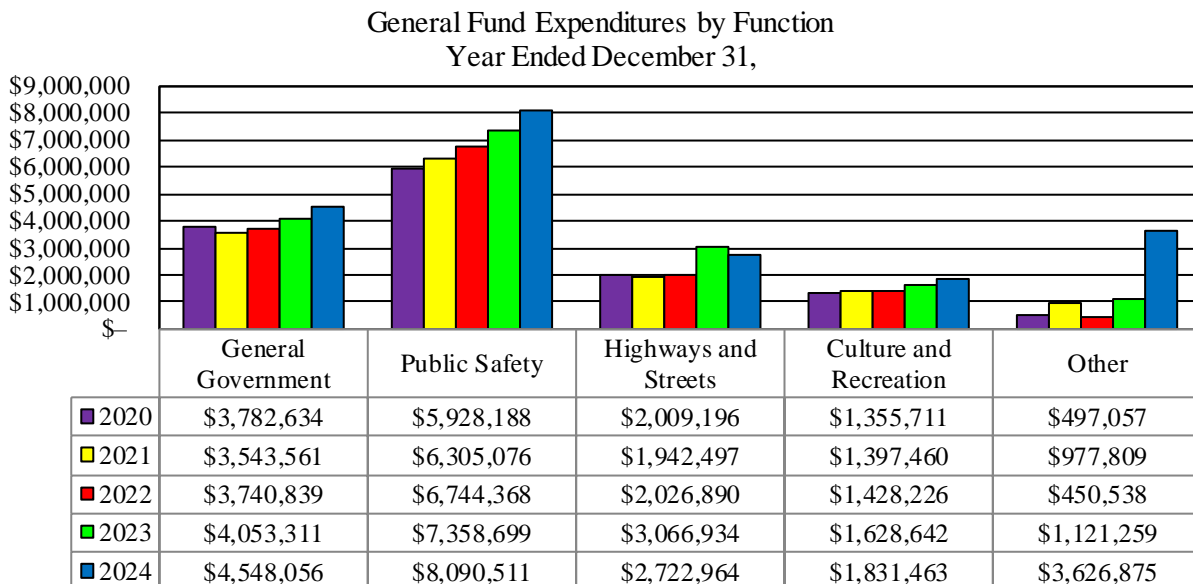
## GENERAL FUND EXPENDITURES

The following graph illustrates the components of General Fund spending for 2024 compared to budget:



General Fund expenditures totaled \$20,819,869 in 2024 and were \$20,101 (or 0.1 percent) over the final budget. Spending was over budget for other expenditures by \$520,686. The variance in overspending for other expenditures was largely due to capital outlay spending that was budgeted for the prior year, but was delayed to fiscal year 2024. General government, public safety, highways and streets, and culture and recreation were \$224,015, \$8,359, \$201,719, and \$66,492 under budget, respectively. Open positions and conservative budgeting largely accounted for these variances.

The following graph shows General Fund expenditures for the last five years:



Total General Fund expenditures for 2024 were \$3,591,024 (20.8 percent) more than the previous year. Natural inflationary increases and the continued growth in development in the City contributed to the overall increase in expenditures. Other expenditures were up with prior year delays pushed in the current year as previously mentioned.

## 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, Sewer, Street Light, Recycling, and Storm Water Utility Funds.

The utility funds comprise a considerable portion of the City’s activities. We understand that the City is proactive in reviewing these activities on an ongoing basis and we want to reiterate the importance of continually monitoring these operations. Over the years, we have emphasized to our city clients the importance of these utility operations being self-sustaining, preventing additional burdens on general governmental funds. This would include the accumulation of net position for future capital improvements and to provide a cushion in the event of a negative trend in operations.

### 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 fund:

<b>Enterprise Funds Change in Financial Position</b>			
	Net Position as of December 31,		Change
	2024	2023	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 95,749,335	\$ 71,932,644	\$ 23,816,691
Unrestricted	<u>32,212,510</u>	<u>44,232,074</u>	<u>(12,019,564)</u>
Total enterprise funds	<u>\$ 127,961,845</u>	<u>\$ 116,164,718</u>	<u>\$ 11,797,127</u>
Total by fund			
Water Utility	\$ 76,068,276	\$ 60,839,740	\$ 15,228,536
Sewer Utility	27,859,546	33,335,502	(5,475,956)
Street Light Utility	2,038,066	1,872,786	165,280
Recycling Utility	416,994	416,700	294
Storm Water Utility	<u>21,578,963</u>	<u>19,699,990</u>	<u>1,878,973</u>
Total enterprise funds	<u>\$ 127,961,845</u>	<u>\$ 116,164,718</u>	<u>\$ 11,797,127</u>

In total, the net position of the City’s enterprise funds increased by \$11,797,127 during the year ended December 31, 2024, which is \$2,998,753 more than the prior year increase in net position. Additional capital grants, developer contributions, and connection fees, all contributed to the overall growth in net position.

The increase in the net investment in capital assets portion of net position includes the City’s use of unrestricted resources for infrastructure improvements in the current year, along with contributions from developers, which was partially offset by current year depreciation.

The following table presents five years of comparative operating results for each of the City's utility enterprise funds:

	Operating Results – Fiscal Year Ended December 31,				
	2020	2021	2022	2023	2024
Utility enterprise funds					
Water					
Operating revenue	\$ 2,541,651	\$ 3,057,474	\$ 2,962,563	\$ 3,574,961	\$ 3,168,402
Operating expenses	1,657,356	1,772,358	1,895,776	2,062,314	2,243,736
Operating income	\$ 884,295	\$ 1,285,116	\$ 1,066,787	\$ 1,512,647	\$ 924,666
Operating income as a percentage of operating revenue	34.8 %	42.0 %	36.0 %	42.3 %	29.2 %
Sewer					
Operating revenue	\$ 1,714,469	\$ 1,805,614	\$ 1,876,957	\$ 1,994,465	\$ 2,425,906
Operating expenses	1,723,238	1,742,380	1,947,356	2,209,802	2,411,209
Operating income (loss)	\$ (8,769)	\$ 63,234	\$ (70,399)	\$ (215,337)	\$ 14,697
Operating income (loss) as a percentage of operating revenue	(0.5) %	3.5 %	(3.8) %	(10.8) %	0.6 %
Street Light					
Operating revenue	\$ 216,545	\$ 222,364	\$ 230,392	\$ 234,607	\$ 242,950
Operating expenses	169,463	178,576	172,765	173,924	167,123
Operating income	\$ 47,082	\$ 43,788	\$ 57,627	\$ 60,683	\$ 75,827
Operating income as a percentage of operating revenue	21.7 %	19.7 %	25.0 %	25.9 %	31.2 %
Recycling					
Operating revenue	\$ 319,664	\$ 440,097	\$ 452,107	\$ 456,106	\$ 468,514
Operating expenses	366,764	507,067	514,231	527,182	549,993
Operating income (loss)	\$ (47,100)	\$ (66,970)	\$ (62,124)	\$ (71,076)	\$ (81,479)
Operating income (loss) as a percentage of operating revenue	(14.7) %	(15.2) %	(13.7) %	(15.6) %	(17.4) %
Storm Water					
Operating revenue	\$ 1,164,868	\$ 1,197,572	\$ 1,230,582	\$ 1,252,659	\$ 1,350,416
Operating expenses	777,252	715,349	791,605	864,721	1,022,935
Operating income	\$ 387,616	\$ 482,223	\$ 438,977	\$ 387,938	\$ 327,481
Operating income as a percentage of operating revenue	33.3 %	40.3 %	35.7 %	31.0 %	24.3 %

As displayed in the table above, each of the individual enterprise funds was able to report positive operating results for the year ended December 31, 2024, except for the Recycling Fund. However, nonoperating grants and investment earnings were sufficient to cover this deficit in the current year.

Overall operating revenues totaled \$7,656,188 in 2024, compared to \$7,512,798 in the prior year. Increases in households and utility rates, along with more consumption, contributed to the change over the prior year. Overall operating expenses totaled \$6,394,996 in 2024, compared to \$5,837,943 in the prior year. Spending was up for personal services, sewer utility disposal and other service charges, and depreciation, with an increase in population and households serviced by the City's utility system.

## 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,		Change
	2024	2023	
Net position			
Governmental activities			
Net investment in capital assets	\$ 72,783,568	\$ 66,959,661	\$ 5,823,907
Restricted	14,022,396	18,598,778	(4,576,382)
Unrestricted	36,934,626	26,728,758	10,205,868
Total governmental activities	<u>123,740,590</u>	<u>112,287,197</u>	<u>11,453,393</u>
Business-type activities			
Net investment in capital assets	95,749,335	71,932,644	23,816,691
Unrestricted	32,212,510	44,232,074	(12,019,564)
Total business-type activities	<u>127,961,845</u>	<u>116,164,718</u>	<u>11,797,127</u>
Total net position	<u>\$ 251,702,435</u>	<u>\$ 228,451,915</u>	<u>\$ 23,250,520</u>

The City's total net position on December 31, 2024, was \$23,250,520 more than the previous year. Governmental activities increased \$11,453,393 and business-type activities increased \$11,797,127.

The increase in net position within governmental activities presents the overall operating results of the governmental funds, along with the continued development and investment in infrastructure within the City. The increase in business-type activities net position matches the enterprise funds activity previously discussed.

At the end of the current fiscal year, the City is able to present positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

## 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 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	\$ 5,645,480	\$ 2,414,649	\$ (3,230,831)	\$ (3,941,232)
Public safety	8,894,134	2,438,948	(6,455,186)	(5,667,857)
Highways and streets	7,783,629	7,535,956	(247,673)	(4,481,511)
Culture and recreation	2,430,888	1,649,680	(781,208)	(1,270,976)
Economic development	1,488,674	–	(1,488,674)	(1,705,446)
Interest and fiscal charges	1,317,942	–	(1,317,942)	(1,258,959)
Business-type activities				
Water utility	2,243,736	9,009,102	6,765,366	3,443,166
Sewer utility	2,411,209	3,322,222	911,013	997,177
Street light utility	167,123	242,950	75,827	60,683
Recycling utility	549,993	539,404	(10,589)	(10,367)
Storm water utility	1,022,935	2,443,252	1,420,317	1,234,337
Total net (expense) revenue	<u>\$ 33,955,743</u>	<u>\$ 29,596,163</u>	(4,359,580)	(12,600,985)
General revenues				
Property taxes			23,041,341	20,126,982
General grants and contributions			3,760	3,223
Investment earnings			4,470,909	5,709,967
Gain on sale of capital assets			94,090	20,000
Total general revenues			<u>27,610,100</u>	<u>25,860,172</u>
Change in net position			<u>\$ 23,250,520</u>	<u>\$ 13,259,187</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 taxes, unrestricted grants, and unrestricted investment earnings. In contrast, the City's business-type activities tend to rely more heavily on program revenues like charges for services (sales) and program-specific grants to cover expenses. This is critical given the current downward pressures on the general revenue sources.

The change in net (expense) revenue presented in the table above, when compared to the prior year, is primarily due to the amount of developer contributions and capital grants recognized from year-to-year. These contributions fluctuate with the size and number of completed development projects.

## 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 to 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 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.