

CITY OF VESTA
VESTA, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

CITY OF VESTA, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF VESTA
VESTA, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2024

MAYOR	Warren Kolander
COUNCIL MEMBER	Justin Kolander
COUNCIL MEMBER	Brian Swedzinski - resigned July 9, 2024
COUNCIL MEMBER	McKenzie Taylor - appointed August 12, 2024
COUNCIL MEMBER	Brandi Samyn
COUNCIL MEMBER	Jeff Rathman
CITY CLERK/TREASURER	Brooke Guetter
CITY ATTORNEY	Quarnstrom & Doering P.A.

2025

MAYOR	Jason Kramer
COUNCIL MEMBER	Benjamin Jahn
COUNCIL MEMBER	McKenzie Taylor
COUNCIL MEMBER	Jeff Rathman
COUNCIL MEMBER	Brandi Samyn
CITY CLERK/TREASURER	Brooke Guetter
CITY ATTORNEY	Quarnstrom & Doering P.A.

SECTION II

FINANCIAL SECTION

Dennis E. Oberloh, CPA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Council
City of Vesta
Vesta, Minnesota

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Vesta, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 6 through 13 and 44 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2025 on our consideration of City of Vesta, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Vesta, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Vesta, Minnesota's internal control over financial reporting and compliance.



Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

May 13, 2025

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

As Management of the City of Vesta (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,199,035 (net position). Of this amount \$611,222 (unrestricted net position) may be used to meet the City's on going obligations to citizens and creditors.
- The City's total net position increased by \$85,762. The governmental activities net position increased during 2024 by \$128,341 and the business-type activities net position decreased by \$42,579.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$597,993, an increase of \$53,495 in comparison with the prior year. Approximately 61.1 percent of this total amount, \$365,622 is available for spending at the City's discretion, but \$11,954 has been committed and \$99,193 has been assigned for specific purposes.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position (on page 14) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 15) provides information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and miscellaneous. The business-type activities of the City include water utility, wastewater utility and garbage services.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 16) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 18) provide a reconciliation (on pages 17 and 19) to facilitate this comparison between governmental funds and governmental activities.

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

The City adopts annual appropriated budgets for its General Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, wastewater utility and garbage services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water Fund and Wastewater Fund; which are considered to be major funds of the City. The Garbage Fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 23 through 43 of this report.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison, and Pension Schedules (on pages 44 - 56) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 57) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current Assets	\$ 665,094	\$ 638,324	\$ 331,651	\$ 327,490	\$ 996,745	\$ 965,814
Capital Assets	<u>905,497</u>	<u>783,637</u>	<u>1,070,711</u>	<u>1,121,316</u>	<u>1,976,208</u>	<u>1,904,953</u>
Total Assets	<u>1,570,591</u>	<u>1,421,961</u>	<u>1,402,362</u>	<u>1,448,806</u>	<u>2,972,953</u>	<u>2,870,767</u>
Deferred Outflows of						
Resources	<u>42,571</u>	<u>74,840</u>	<u>13,519</u>	<u>21,841</u>	<u>56,090</u>	<u>96,681</u>
Current Liabilities	8,521	9,491	40,350	43,077	48,871	52,568
Long-term Liabilities	<u>33,963</u>	<u>48,135</u>	<u>684,252</u>	<u>693,560</u>	<u>718,215</u>	<u>741,695</u>
Total Liabilities	<u>42,484</u>	<u>57,626</u>	<u>724,602</u>	<u>736,637</u>	<u>767,086</u>	<u>794,263</u>
Deferred Inflows of						
Resources	<u>46,672</u>	<u>43,510</u>	<u>16,250</u>	<u>16,402</u>	<u>62,922</u>	<u>59,912</u>
Net Position						
Net Investment in						
Capital Assets	905,497	783,638	387,711	539,706	1,293,208	1,323,344
Restricted	261,437	211,126	33,168	33,168	294,605	244,294
Unrestricted	<u>357,072</u>	<u>400,901</u>	<u>254,150</u>	<u>144,734</u>	<u>611,222</u>	<u>545,635</u>
Total Net Position	<u>\$ 1,524,006</u>	<u>\$ 1,395,665</u>	<u>\$ 675,029</u>	<u>\$ 717,608</u>	<u>\$ 2,199,035</u>	<u>\$ 2,113,273</u>

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

A large portion of the City's net position, 58.8 percent reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 13.3 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 27.9 percent may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

Changes in Net Position

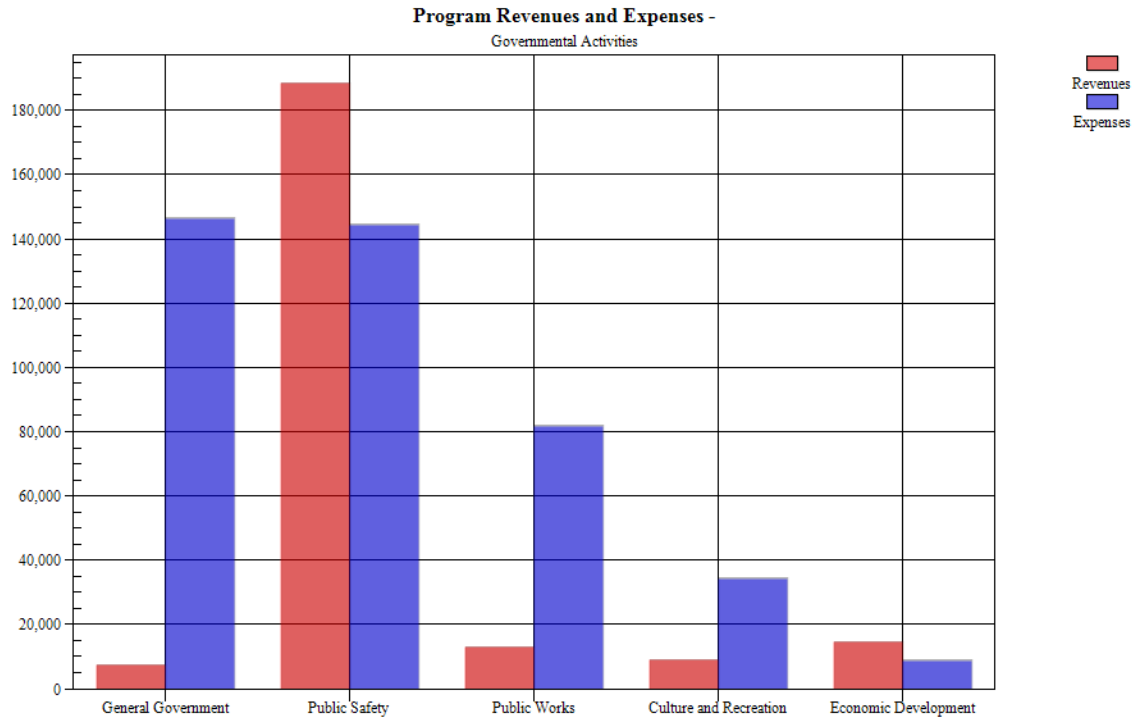
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 29,368	\$ 27,999	\$ 181,792	\$ 179,755	\$ 211,160	\$ 207,754
Operating Grants and Contributions	46,822	25,335	-	-	46,822	25,335
Capital Grants and Contributions	156,300	-	-	-	156,300	-
General Revenues:						
Taxes and Assessments	189,142	189,741	-	547	189,142	190,288
Intergovernmental Revenue	100,976	100,793	-	-	100,976	100,793
Interest Income	10,616	6,661	8,204	551	18,820	7,212
Other Income	-	-	2,740	3,550	2,740	3,550
Miscellaneous Income	9,964	47,743	-	-	9,964	47,743
Total Revenues	<u>543,188</u>	<u>398,272</u>	<u>192,736</u>	<u>184,403</u>	<u>735,924</u>	<u>582,675</u>
<u>Expenses</u>						
General Government	146,243	135,272	-	-	146,243	135,272
Public Safety	144,123	82,547	-	-	144,123	82,547
Public Works	81,706	98,223	-	-	81,706	98,223
Culture and Recreation	34,175	43,838	-	-	34,175	43,838
Economic Development	8,600	8,600	-	-	8,600	8,600
Water	-	-	143,562	136,368	143,562	136,368
Wastewater	-	-	58,861	78,482	58,861	78,482
Garbage	-	-	18,892	20,462	18,892	20,462
Total Expenses	<u>414,847</u>	<u>368,480</u>	<u>221,315</u>	<u>235,312</u>	<u>636,162</u>	<u>603,792</u>
Change in Net Position	128,341	29,792	(28,579)	(50,909)	99,762	(21,117)
Net Position Beginning	<u>1,395,665</u>	<u>1,365,873</u>	<u>717,608</u>	<u>768,517</u>	<u>2,113,273</u>	<u>2,134,390</u>
Net Position Ending	<u>\$ 1,524,006</u>	<u>\$ 1,395,665</u>	<u>\$ 689,029</u>	<u>\$ 717,608</u>	<u>\$ 2,213,035</u>	<u>\$ 2,113,273</u>

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

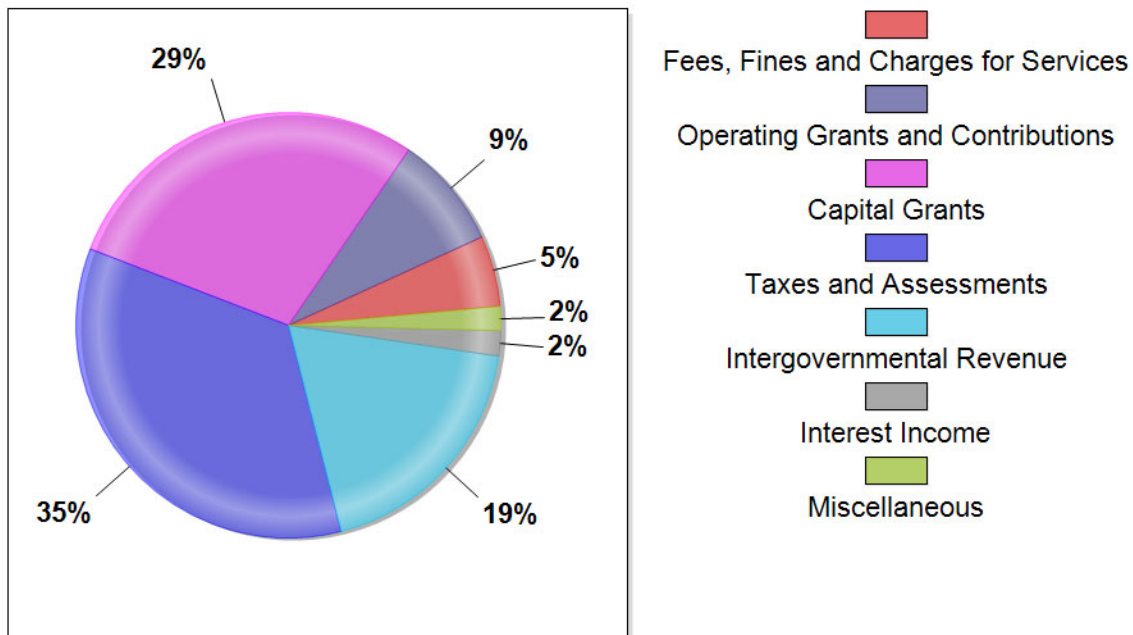
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



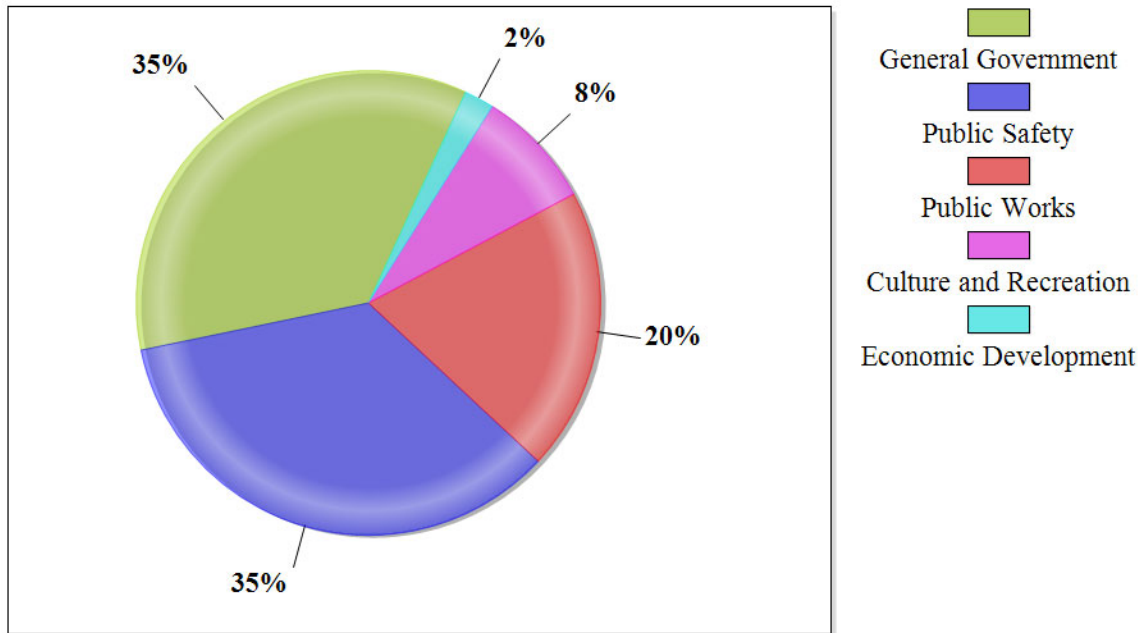
Sources of Funds in Governmental Activities



CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

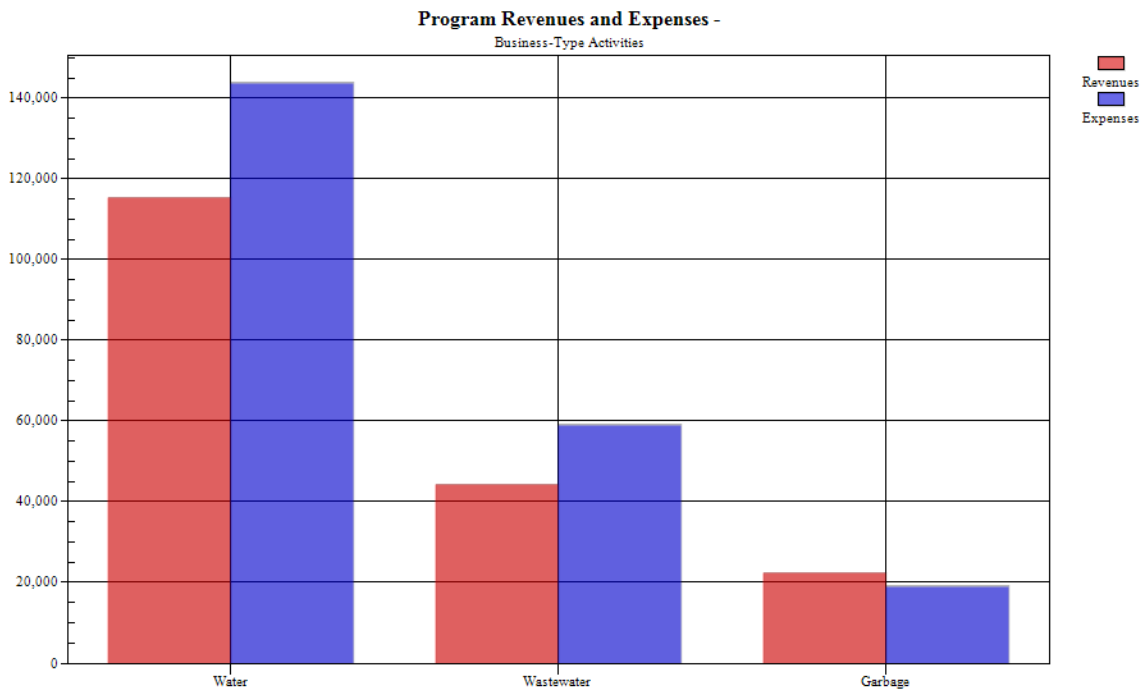
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

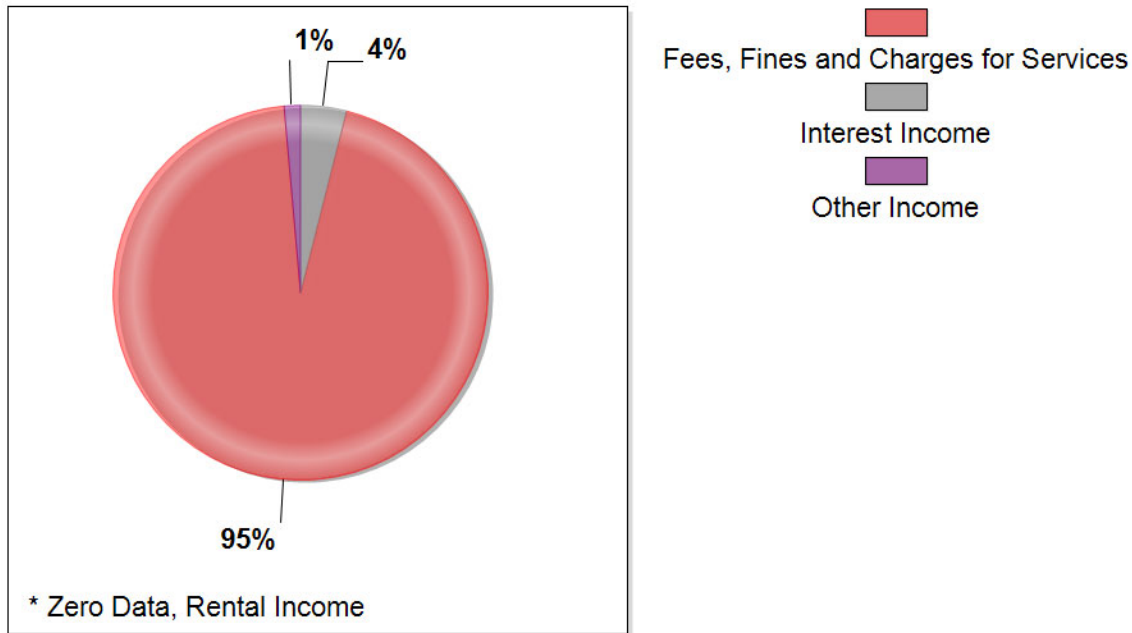
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The City of Vesta currently has seven different funds that will be accounted for in the 2024 audit. Those funds include the General Fund, Small Cities Development Fund, Street Improvement Bond (2003 Bond), Debt 2008, Water Fund, Wastewater Fund and Garbage Fund.

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$490,235 of which \$21,239 was nonspendable, \$144,457 was restricted, \$11,954 was committed and \$58,105 was assigned. As a measure of the General Funds liquidity, it may be useful to compare the fund balance to fund expenditures. The unassigned fund balance represents 52.4 percent of fund expenditures. The fund balance of the City's General Fund increased \$38,804 compared to the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$254,150. The total decrease in net position of the funds was \$42,579. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues in excess of expenditures of \$13,552 in 2024. Revenues were over expectations by \$213,277 and expenditures came in over budget by \$188,025 during 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$1,976,208 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 3.7 percent (an 16.5 percent increase for governmental activities and a 4.5 percent decrease for business-type activities). The increase was due to capital outlay exceeding depreciation.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 79,045	\$ 79,045	\$ 54,380	\$ 54,380	\$ 133,425	\$ 133,425
Buildings	521,514	521,514	-	-	521,514	521,514
Infrastructure and Improvements	144,276	144,276	3,174,394	3,174,394	3,318,670	3,318,670
Equipment and Vehicles	<u>1,441,969</u>	<u>1,247,888</u>	<u>271,983</u>	<u>258,595</u>	<u>1,713,952</u>	<u>1,506,483</u>
Subtotal	2,186,804	1,992,723	3,500,757	3,487,369	5,687,561	5,480,092
Less: Accumulated Depreciation	<u>1,281,307</u>	<u>1,209,085</u>	<u>2,430,046</u>	<u>2,366,056</u>	<u>3,711,353</u>	<u>3,575,141</u>
Total	<u>\$ 905,497</u>	<u>\$ 783,638</u>	<u>\$ 1,070,711</u>	<u>\$ 1,121,313</u>	<u>\$ 1,976,208</u>	<u>\$ 1,904,951</u>

The City's major addition in the governmental activities included improvements and equipment purchases. The major addition in the business-type activities was a pump for the lift station.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$669,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
G.O. Revenue						
Bonds	\$ -	\$ -	\$ 669,000	\$ 683,000	\$ 669,000	\$ 683,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,000</u>	<u>\$ 683,000</u>	<u>\$ 669,000</u>	<u>\$ 683,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2025 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2024 during 2025.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Vesta, PO Box 7, Vesta, MN 56292, phone 507 762 3140.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 575,573	\$ 311,899	\$ 887,472
Receivables:			
Accounts Receivable	7,611	12,658	20,269
Property Taxes Receivable	10,361	-	10,361
Special Assessments Receivable	-	997	997
Prepaid Expense	21,239	6,097	27,336
Capital Assets:			
Nondepreciable:			
Land	79,045	54,380	133,425
Depreciable, Net of Accumulated Depreciation:			
Buildings	146,110	-	146,110
Infrastructure and Improvements	116,124	930,944	1,047,068
Equipment and Vehicles	564,218	85,387	649,605
Net Pension Asset	50,310	-	50,310
TOTAL ASSETS	<u>1,570,591</u>	<u>1,402,362</u>	<u>2,972,953</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	42,571	13,519	56,090
LIABILITIES			
Accounts Payable	7,491	4,780	12,271
Taxes Payable	-	833	833
Accrued Interest	-	18,783	18,783
Accrued Wages Payable	363	162	525
Accrued Compensated Absences	667	442	1,109
Customer Deposits	-	1,350	1,350
Noncurrent liabilities:			
Due within one year	-	14,000	14,000
Net Pension Liability	33,963	15,252	49,215
Due in more than one year	-	655,000	655,000
TOTAL LIABILITIES	<u>42,484</u>	<u>710,602</u>	<u>753,086</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	46,672	16,250	62,922
NET POSITION			
Net Investment in Capital Assets	905,497	401,711	1,307,208
Restricted			
Debt Service	66,670	33,168	99,838
First Responders	144,457	-	144,457
Fire Relief Net Pension Asset	50,310	-	50,310
Unrestricted	357,072	254,150	611,222
TOTAL NET POSITION	<u>\$ 1,524,006</u>	<u>\$ 689,029</u>	<u>\$ 2,213,035</u>

The Notes to the Financial Statements are an integral part of this statement.

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

Functions/Programs	Program Revenues				Net Sources (Uses) and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 146,243	\$ 7,191	\$ -	\$ -	\$ (139,052)	\$ -	\$ (139,052)
Public Safety	144,123	13,117	19,010	156,300	44,304	-	44,304
Public Works	81,706	-	13,122	-	(68,584)	-	(68,584)
Culture and Recreation	34,175	9,060	-	-	(25,115)	-	(25,115)
Economic Development	8,600	-	14,690	-	6,090	-	6,090
Total Governmental Activities	414,847	29,368	46,822	156,300	(182,357)	-	(182,357)
Business-Type Activities:							
Water	143,562	115,324	-	-	-	(28,238)	(28,238)
Wastewater	58,861	44,210	-	-	-	(14,651)	(14,651)
Garbage	18,892	22,258	-	-	-	3,366	3,366
Total Business-Type Activities:	221,315	181,792	-	-	-	(39,523)	(39,523)
Total Primary Government	\$ 636,162	\$ 211,160	\$ 46,822	\$ 156,300	(182,357)	(39,523)	(221,880)
General Revenues:							
					189,142	-	189,142
					100,976	-	100,976
					10,616	8,204	18,820
					-	2,740	2,740
					9,964	-	9,964
					310,698	10,944	321,642
					128,341	(28,579)	99,762
					1,395,665	717,608	2,113,273
					\$ 1,524,006	\$ 689,029	\$ 2,213,035

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Nonmajor Governmental Funds	Total
ASSETS:			
Cash and Cash Equivalents	\$ 467,815	\$ 107,758	\$ 575,573
Accounts Receivable	7,611	-	7,611
Property Taxes Receivable	10,361	-	10,361
Prepaid Expense	21,239	-	21,239
Total Assets	<u>\$ 507,026</u>	<u>\$ 107,758</u>	<u>\$ 614,784</u>
LIABILITIES:			
Accounts Payable	\$ 7,491	\$ -	\$ 7,491
Accrued Wages Payable	363	-	363
Total Liabilities	<u>7,854</u>	<u>-</u>	<u>7,854</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	8,937	-	8,937
Total Deferred Inflows of Resources	<u>8,937</u>	<u>-</u>	<u>8,937</u>
FUND BALANCES:			
Nonspendable	21,239	-	21,239
Restricted	144,457	66,670	211,127
Committed	11,954	-	11,954
Assigned	58,105	41,088	99,193
Unassigned	254,480	-	254,480
Total Fund Balances	<u>490,235</u>	<u>107,758</u>	<u>597,993</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 507,026</u>	<u>\$ 107,758</u>	<u>\$ 614,784</u>

CITY OF VESTA, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024

Total Governmental Fund Balances	\$ 597,993
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	905,497
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	8,937
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(667)
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in the governmental activities are not current financial resources and therefore not reported in the governmental funds.	<u>12,246</u>
Net Position of Governmental Activities	<u>\$ 1,524,006</u>

CITY OF VESTA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 185,048	\$ -	\$ 185,048
Licenses and Permits	1,600	-	1,600
Intergovernmental Revenue	289,431	14,690	304,121
Charges for Services	27,701	-	27,701
Fines and Forfeits	67	-	67
Interest Income	10,614	1	10,615
Miscellaneous	9,964	-	9,964
Total Revenues	<u>524,425</u>	<u>14,691</u>	<u>539,116</u>
EXPENDITURES			
Current Operations:			
General Government	140,157	-	140,157
Public Safety	57,125	-	57,125
Public Works	59,690	-	59,690
Culture and Recreation	25,967	-	25,967
Economic Development	8,600	-	8,600
Capital Outlay	<u>194,082</u>	<u>-</u>	<u>194,082</u>
Total Expenditures	<u>485,621</u>	<u>-</u>	<u>485,621</u>
EXCESS REVENUES OVER EXPENDITURES	38,804	14,691	53,495
FUND BALANCES - January 1	<u>451,431</u>	<u>93,067</u>	<u>544,498</u>
FUND BALANCES - December 31	<u>\$ 490,235</u>	<u>\$ 107,758</u>	<u>\$ 597,993</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 53,495
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	194,083
Depreciation Expense	(72,223)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	4,094
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	
	320
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
	<u>(51,428)</u>
Change in Net Position of Governmental Activities	<u>\$ 128,341</u>

CITY OF VESTA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Water Fund	Wastewater Fund	Nonmajor Garbage	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 292,156	\$ -	\$ 19,743	\$ 311,899
Accounts Receivable	6,730	3,960	1,968	12,658
Special Assessments Receivable	997	-	-	997
Due from Other Funds	3,353	-	-	3,353
Prepaid Expense	2,173	3,924	-	6,097
Total Current Assets	<u>305,409</u>	<u>7,884</u>	<u>21,711</u>	<u>335,004</u>
NONCURRENT ASSETS				
Capital Assets:				
Land	7,700	46,680	-	54,380
Infrastructure and Improvements	1,468,221	1,706,173	-	3,174,394
Equipment and Vehicles	149,292	122,691	-	271,983
Total Capital Assets	1,625,213	1,875,544	-	3,500,757
Less: Accumulated Depreciation	691,688	1,738,358	-	2,430,046
Net Capital Assets	<u>933,525</u>	<u>137,186</u>	<u>-</u>	<u>1,070,711</u>
TOTAL ASSETS	<u>1,238,934</u>	<u>145,070</u>	<u>21,711</u>	<u>1,405,715</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	6,759	6,760	-	13,519
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,245,693</u>	<u>\$ 151,830</u>	<u>\$ 21,711</u>	<u>\$ 1,419,234</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,238	\$ 1,100	\$ 1,442	\$ 4,780
Taxes Payable	262	-	571	833
Due to Other Funds	-	3,353	-	3,353
Accrued Interest	18,783	-	-	18,783
Accrued Wages Payable	81	81	-	162
Accrued Compensated Absences	221	221	-	442
Customer Deposits	1,350	-	-	1,350
Current Amount of Long-Term Debt	14,000	-	-	14,000
Total Current Liabilities	<u>36,935</u>	<u>4,755</u>	<u>2,013</u>	<u>43,703</u>
LONG-TERM LIABILITIES				
Net Pension Liability	7,626	7,626	-	15,252
Bonds Payable	655,000	-	-	655,000
Total Long-Term Liabilities	<u>662,626</u>	<u>7,626</u>	<u>-</u>	<u>670,252</u>
TOTAL LIABILITIES	<u>699,561</u>	<u>12,381</u>	<u>2,013</u>	<u>713,955</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	8,125	8,125	-	16,250
NET POSITION				
Net Investment in Capital Assets	264,525	137,186	-	401,711
Restricted	33,168	-	-	33,168
Unrestricted (Deficit)	240,314	(5,862)	19,698	254,150
Total Net Position	<u>538,007</u>	<u>131,324</u>	<u>19,698</u>	<u>689,029</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 1,245,693</u>	<u>\$ 151,830</u>	<u>\$ 21,711</u>	<u>\$ 1,419,234</u>

The Notes to the Financial Statements are an integral part of this statement.

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

	Water Fund	Wastewater Fund	<u>Nonmajor</u> Garbage	Total
OPERATING REVENUES				
Charges for Services	\$ 115,324	\$ 44,210	\$ 22,258	\$ 181,792
Total Operating Revenues	115,324	44,210	22,258	181,792
OPERATING EXPENSES				
Personnel Services	27,005	27,006	-	54,011
Depreciation	52,693	11,297	-	63,990
Insurance	1,260	2,283	-	3,543
Permits, Testing and Fees	-	4,618	-	4,618
Professional Services	6,276	4,780	-	11,056
Repairs, Maintenance and Supplies	8,249	4,973	-	13,222
Utilities	1,822	2,387	-	4,209
Miscellaneous	843	1,517	-	2,360
Contracted Service	26,631	-	18,892	45,523
Total Operating Expenses	124,779	58,861	18,892	202,532
NET OPERATING INCOME (LOSS)	(9,455)	(14,651)	3,366	(20,740)
NON OPERATING INCOME AND EXPENSE:				
Interest Income	7,624	109	471	8,204
Other Income	900	1,840	-	2,740
Interest Expense	(18,783)	-	-	(18,783)
Net Non Operating Income and Expense	(10,259)	1,949	471	(7,839)
CHANGE IN NET POSITION	(19,714)	(12,702)	3,837	(28,579)
NET POSITION - January 1	557,721	144,026	15,861	717,608
NET POSITION - December 31	\$ 538,007	\$ 131,324	\$ 19,698	\$ 689,029

The Notes to the Financial Statements are an integral part of this statement.

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

	Water Fund	Wastewater Fund	Nonmajor Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 120,503	\$ 44,361	\$ 22,806	\$ 187,670
Payments to Vendors	(45,121)	(20,623)	(18,909)	(84,653)
Payments to Employees	(28,805)	(28,806)	-	(57,611)
Other Receipts and Payments	900	1,840	-	2,740
Net Cash Provided (Used) By Operating Activities	<u>47,477</u>	<u>(3,228)</u>	<u>3,897</u>	<u>48,146</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Due (from) to Other Funds	(3,353)	3,353	-	-
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(3,353)</u>	<u>3,353</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Property Taxes and Special Assessments	53	-	(15)	38
Purchase of Capital Assets	-	(13,388)	-	(13,388)
Principal Paid on Capital Debt	(14,000)	-	-	(14,000)
Interest Paid on Capital Debt	(18,783)	-	-	(18,783)
Net Cash Used By Capital and Related Financing Activities	<u>(32,730)</u>	<u>(13,388)</u>	<u>(15)</u>	<u>(46,133)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	7,624	109	471	8,204
Net Cash Provided By Investing Activities	<u>7,624</u>	<u>109</u>	<u>471</u>	<u>8,204</u>
NET INCREASE (DECREASE) IN CASH CASH AND CASH EQUIVALENTS - January 1	<u>19,018</u>	<u>(13,154)</u>	<u>4,353</u>	<u>10,217</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 292,156</u>	<u>\$ -</u>	<u>\$ 19,743</u>	<u>\$ 311,899</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Operating Income (Loss)	\$ (9,455)	\$ (14,651)	\$ 3,366	\$ (20,740)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Depreciation	52,693	11,297	-	63,990
Noncash Pension Expense	(569)	(569)	-	(1,138)
Changes in Assets and Liabilities				
Accounts Receivable	6,229	151	548	6,928
Prepaid Items	(97)	(825)	-	(922)
Accounts Payable	42	760	(17)	785
Taxes Payable	15	-	-	15
Accrued Salaries	(770)	(770)	-	(1,540)
Accrued Compensated Absences	(461)	(461)	-	(922)
Customer Deposits	(1,050)	-	-	(1,050)
Other Revenues and Expenses	900	1,840	-	2,740
Net Cash Provided (Used) By Operating Activities	<u>\$ 47,477</u>	<u>\$ (3,228)</u>	<u>\$ 3,897</u>	<u>\$ 48,146</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Vesta (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, waterworks, wastewater, and garbage services.

The financial statements of the City of Vesta, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, franchise taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year which the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

- Water Fund - This fund is used to account for the water treatment and distribution to the residential and commercial users of the City.
- Wastewater Fund - This fund is used to account for the wastewater treatment and distribution from the residential and commercial users of the City.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, wastewater and garbage functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash during the year or within 60 days after year end. All governmental special assessments receivable are offset by an unearned revenue liability in the fund financial statements.

J. Prepaid Items

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 10 to 50 years for buildings, 3 to 20 years for machinery and equipment, and 15 to 65 years for infrastructure.

L. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued at December 31, 2024 was \$1,109.

M. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

P. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City clerk/treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2024.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 109,416	\$ 140,157	\$ (30,741)
Public Safety	\$ 49,910	\$ 240,196	\$ (190,286)
Culture and Recreation	\$ 32,873	\$ 36,978	\$ (4,105)

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

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

At year end, the City's carrying amount of deposits was \$887,472 and the bank balance was \$914,777 including certificates of deposits of \$343,507. Of the bank balance, \$364,789 was covered by federal depository insurance. Of the remaining balance, \$549,988 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts other than certificates of deposit listed above.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2024, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Water Fund	\$ 3,353	\$ -
Wastewater Fund	<u>-</u>	<u>3,353</u>
	<u>\$ 3,353</u>	<u>\$ 3,353</u>

Interfund receivable and payables are for cash flow purposes and are expected to be liquidated by collections of future receipts from sales.

5. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent taxes receivable	\$ 8,937	\$ -
Total	<u>\$ 8,937</u>	<u>\$ -</u>

6. CHANGES IN CAPITAL ASSETS

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance December 31</u>
Not Being Depreciated:				
Land	\$ 79,045	\$ -	\$ -	\$ 79,045
Subtotal	<u>79,045</u>	<u>-</u>	<u>-</u>	<u>79,045</u>
Other Capital Assets:				
Buildings	521,514	-	-	521,514
Infrastructure and Improvements	144,276	-	-	144,276
Equipment and Vehicles	<u>1,247,888</u>	<u>194,081</u>	<u>-</u>	<u>1,441,969</u>
Subtotal	<u>1,913,678</u>	<u>194,081</u>	<u>-</u>	<u>2,107,759</u>
Less: Accumulated Depreciation				
Buildings	364,259	11,145	-	375,404
Infrastructure and Improvements	20,718	7,434	-	28,152
Equipment and Vehicles	<u>824,107</u>	<u>53,644</u>	<u>-</u>	<u>877,751</u>
Subtotal	<u>1,209,084</u>	<u>72,223</u>	<u>-</u>	<u>1,281,307</u>
Net Other Capital Assets	<u>704,594</u>	<u>121,858</u>	<u>-</u>	<u>826,452</u>
Net Capital Assets	<u>\$ 783,639</u>	<u>\$ 121,858</u>	<u>\$ -</u>	<u>\$ 905,497</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2024.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 54,380	\$ -	\$ -	\$ 54,380
Subtotal	<u>54,380</u>	<u>-</u>	<u>-</u>	<u>54,380</u>
Other Capital Assets:				
Infrastructure and Improvements	3,174,394	-	-	3,174,394
Equipment and Vehicles	<u>258,595</u>	<u>13,388</u>	<u>-</u>	<u>271,983</u>
Subtotal	<u>3,432,989</u>	<u>13,388</u>	<u>-</u>	<u>3,446,377</u>
Less: Accumulated Depreciation				
Infrastructure and Improvements	2,192,814	50,636	-	2,243,450
Equipment and Vehicles	<u>173,242</u>	<u>13,354</u>	<u>-</u>	<u>186,596</u>
Subtotal	<u>2,366,056</u>	<u>63,990</u>	<u>-</u>	<u>2,430,046</u>
Net Other Capital Assets	<u>1,066,933</u>	<u>(50,602)</u>	<u>-</u>	<u>1,016,331</u>
Net Capital Assets	<u>\$ 1,121,313</u>	<u>\$ (50,602)</u>	<u>\$ -</u>	<u>\$ 1,070,711</u>

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

Governmental Activities:	
General Government	\$ 6,905
Public Safety	33,857
Public Works	23,253
Culture and Recreation	<u>8,208</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 72,223</u>
Business-Type Activities:	
Water Utility	\$ 52,693
Wastewater Utility	<u>11,297</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 63,990</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. FUND BALANCE

A. Classifications

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid Items	\$ 21,239	\$ -	\$ 21,239
Total Nonspendable	<u>21,239</u>	<u>-</u>	<u>21,239</u>
Restricted for:			
First Responders	144,457	-	144,457
Debt Service	<u>-</u>	<u>66,670</u>	<u>66,670</u>
Total Restricted	<u>144,457</u>	<u>66,670</u>	<u>211,127</u>
Committed to:			
Capital Assets	<u>11,954</u>	<u>-</u>	<u>11,954</u>
Total Committed	<u>11,954</u>	<u>-</u>	<u>11,954</u>
Assigned to:			
Fire Truck	22,263	-	22,263
Street Improvements	35,000	-	35,000
First Responders	842	-	842
Economic Development	<u>-</u>	<u>41,088</u>	<u>41,088</u>
Total Assigned	<u>58,105</u>	<u>41,088</u>	<u>99,193</u>
Unassigned	<u>254,480</u>	<u>-</u>	<u>254,480</u>
Total	<u>\$ 490,235</u>	<u>\$ 107,758</u>	<u>\$ 597,993</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2024, the unassigned fund balance of the General Fund was 83.4 percent of the subsequent years budgeted expenditures.

8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2024.

	Balance <u>January 1</u>	Debt Issued	Debt <u>Retired</u>	Balance <u>December 31</u>	Current <u>Amount</u>
G.O. Revenue Bonds	\$ 683,000	\$ -	\$ 14,000	\$ 669,000	\$ 15,000
Totals	<u>\$ 683,000</u>	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ 669,000</u>	<u>\$ 15,000</u>

General Obligation Revenue Bonds issued by the business-type activities are liquidated through the Water Fund.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

Bonds outstanding at December 31, 2024 are comprised of the following issues:

Business-Type Activities

\$784,000 General Obligation Revenue Bond of 2014, due in annual installments of \$11,000 to \$32,000 through 2054, plus interest at 2.75% due in semi-annual installments through January 1, 2054.

Total Long-Term Debt

\$ 669,000
\$ 669,000

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Revenue Bonds		
	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,000	\$ 18,448	\$ 33,448
2026	15,000	17,985	32,985
2027	15,000	17,572	32,572
2028	16,000	17,160	33,160
2029	16,000	16,766	32,766
2030-2034	89,000	76,684	165,684
2035-2039	101,000	63,780	164,780
2040-2044	117,000	49,060	166,060
2045-2049	133,000	32,101	165,101
2050-2054	<u>152,000</u>	<u>12,737</u>	<u>164,737</u>
Total	<u>\$ 669,000</u>	<u>\$ 322,293</u>	<u>\$ 991,293</u>

Interest expense was charged to functions/programs of the City as follows:

Business-Type Activities:

Water Utility	\$ <u>18,783</u>
Total Interest Expense - Business-Type Activities	<u>\$ 18,783</u>

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching and eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City of Vesta, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Vesta, Minnesota contributions to the General Employees Fund for the year ended December 31, 2024, were \$7,812. The City of Vesta, Minnesota contributions were equal to the required contributions as set by state statute.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City of Vesta, Minnesota reported a liability of \$47,011 for its proportionate share of the General Employees Fund's net pension liability. The City of Vesta, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Vesta, Minnesota totaled \$1,216.

The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Vesta, Minnesota's proportion share of the net pension liability was based on the City of Vesta, Minnesota's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City of Vesta, Minnesota proportionate share was 0.0013% at the end of the measurement period and 0.0013% for the beginning of the period.

City of Vesta proportionate share of the net pension liability	\$ 47,011
State of Minnesota's proportionate share of the net pension liability associated with the City of Vesta	<u>1,216</u>
Total	<u>\$ 48,227</u>

For the year ended December 31, 2024, the City of Vesta, Minnesota recognized pension expense of \$2,007 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Vesta, Minnesota recognized an additional \$(23) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employee Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City of Vesta, Minnesota recognized \$1,216 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,581	\$ -
Changes in actuarial assumptions	216	18,083
Net collective difference between projected and actual investment earnings	-	14,058
Changes in proportion	3,960	1,190
Contributions paid to PERA subsequent to the measurement date	<u>3,826</u>	<u>-</u>
Total	<u>\$ 12,583</u>	<u>\$ 33,331</u>

The \$3,826 reported as deferred outflows of resources related to pensions resulting from City of Vesta, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2025	\$ (13,429)
2026	\$ (1,803)
2027	\$ (5,739)
2028	\$ (3,603)
2029	\$ -
Thereafter	\$ -

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by the actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% was deemed to be within that range.

- Inflation is assumed to be 2.25% for the General Employee Plan, Police and Fire Plan and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police and Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changed in Plan Provisions:

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

G. Discount Rate

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

H. Pension Liability Sensitivity

The following presents the City of Vesta, Minnesota proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Vesta, Minnesota proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
General Employees Fund:	\$ 102,679	\$ 47,011	\$ 1,219

I. Pension Plan Fiduciary Net Position

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

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA

A. Plan Description

The City of Vesta, Minnesota participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023 the plan covered 1,216 active firefighters and 4 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

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

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Vesta, Minnesota contributions. The State of Minnesota contributed \$14,920 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2023.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

At December 31, 2023, the City of Vesta, Minnesota reported a net pension asset of \$50,310 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
Beginning Balance December 31, 2022	\$ 142,139	\$ 222,618	\$ (80,479)
Changes for the Year			
Service Cost	3,892	-	3,892
TPL Interest	8,372	-	8,372
Projected Investment Earnings	(627)	-	(627)
Change in Benefit Level	67,949	-	67,949
Contributions (ER/State)	-	15,388	(15,388)
Asset (Gain)/Loss	-	20,600	(20,600)
Difference between Projected and Actual Investment Earnings	-	13,429	(13,429)
Benefit Payouts	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
Net Changes	<u>66,586</u>	<u>36,417</u>	<u>30,169</u>
Balance End of Year December 31, 2023	<u>\$ 208,725</u>	<u>\$ 259,035</u>	<u>\$ (50,310)</u>

For the year ended December 31, 2024 the City of Vesta, Minnesota recognized pension expense of \$4,403.

At December 31, 2024 the City of Vesta, Minnesota reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between projected and actual investment earnings	\$ -	\$ 1,412
Net collective difference between projected and actual investment earnings	-	720
Contributions paid to PERA subsequent to the measurement date	<u>14,920</u>	<u>-</u>
Total	<u>\$ 14,920</u>	<u>\$ 2,132</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

\$14,920 reported as deferred outflows of resources related to pensions resulting from City of Vesta contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2024	\$ 4,130
2025	\$ 6,585
2026	\$ (4,190)
2027	\$ (4,190)
Thereafter	\$ (4,467)

E. Actuarial Assumptions

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made at a rate equal to the actuarially determined contribution rate. Based on that assumption, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount <u>Rate (5.0%)</u>	Discount <u>Rate (6.0%)</u>	1% Increase in Discount <u>Rate (7.0%)</u>
Net Pension Liability (Asset)	\$ (45,528)	\$ (50,310)	\$ (54,999)

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

H. Plan Investments Policy

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

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

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

I. Asset Allocation

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

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

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

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2023 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2023, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2024.

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

B. Claims and Judgments

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

14. SUBSEQUENT EVENTS

Management evaluated all activity of City of Vesta through May 13, 2025 (the issue date of the financial statements) and concluded that no subsequent events other than those affecting the nursing as follows, have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2024
 With Comparative Amounts for the year ended December 31, 2023

	<u>2024</u>			Variance with Final Budget	<u>2023</u> Actual
	Original Budget	Final Budget	Actual		Actual
REVENUES:					
TAXES:					
General Property Taxes	\$ <u>189,525</u>	\$ <u>189,525</u>	\$ <u>185,048</u>	\$ <u>(4,477)</u>	\$ <u>189,749</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>500</u>	<u>500</u>	<u>1,600</u>	<u>1,100</u>	<u>1,350</u>
INTERGOVERNMENTAL REVENUE:					
Other Federal Grants	-	-	156,300	156,300	-
Local Government Aid	92,903	92,903	92,903	-	88,284
State Fire Aid	-	-	19,010	19,010	13,388
Other State Grants	263	263	13,122	12,859	11,947
County Grants	<u>1,500</u>	<u>1,500</u>	<u>8,096</u>	<u>6,596</u>	<u>12,500</u>
Total Intergovernmental Revenue	<u>94,666</u>	<u>94,666</u>	<u>289,431</u>	<u>194,765</u>	<u>126,119</u>
CHARGES FOR SERVICES:					
General Government	4,136	4,136	5,591	1,455	4,316
Public Safety	13,950	13,950	13,050	(900)	13,650
Culture and Recreation	<u>5,272</u>	<u>5,272</u>	<u>9,060</u>	<u>3,788</u>	<u>8,580</u>
Total Charges for Services	<u>23,358</u>	<u>23,358</u>	<u>27,701</u>	<u>4,343</u>	<u>26,546</u>
FINES AND FORFEITS	<u>6</u>	<u>6</u>	<u>67</u>	<u>61</u>	<u>103</u>
INTEREST INCOME	<u>1,568</u>	<u>1,568</u>	<u>10,614</u>	<u>9,046</u>	<u>6,562</u>
MISCELLANEOUS:					
Refunds and Reimbursements	1,000	1,000	1,912	912	726
Donations	-	-	6,229	6,229	7,411
Miscellaneous Income	525	525	1,823	1,298	2,344
Sale of Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,262</u>
Total Miscellaneous	<u>1,525</u>	<u>1,525</u>	<u>9,964</u>	<u>8,439</u>	<u>47,743</u>
TOTAL REVENUES	<u>311,148</u>	<u>311,148</u>	<u>524,425</u>	<u>213,277</u>	<u>398,172</u>

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2024
 With Comparative Amounts for the year ended December 31, 2023

	<u>2024</u>			Variance	<u>2023</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 7,775	\$ 7,775	\$ 5,576	\$ 2,199	\$ 5,785
Election:					
Current Expenditures	100	100	107	(7)	-
Administrative and Finance:					
Personnel Services	58,929	58,929	58,042	887	51,787
Office Expenses	2,200	2,200	2,193	7	3,102
Training Expense	3,820	3,820	2,434	1,386	2,609
Other Current Expenditures	620	620	450	170	353
Other General Government:					
Personnel Services	1,084	1,084	1,023	61	1,318
Professional Fees	2,500	2,500	28,287	(25,787)	18,506
Insurance	-	-	6,647	(6,647)	5,820
Repairs and Supplies	1,700	1,700	622	1,078	2,444
Utilities	8,122	8,122	6,754	1,368	7,300
Other Current Expenditures	8,316	8,316	7,736	580	8,234
Assessor Fees					
Current Expenditures	2,700	2,700	3,024	(324)	3,072
Independent Auditing					
Current Expenditures	9,550	9,550	9,840	(290)	9,800
Legal					
Current Expenditures	<u>2,000</u>	<u>2,000</u>	<u>7,422</u>	<u>(5,422)</u>	<u>8,249</u>
Total General Government	<u>109,416</u>	<u>109,416</u>	<u>140,157</u>	<u>(30,741)</u>	<u>128,379</u>
PUBLIC SAFETY:					
First Responders:					
Personnel Services	1,000	1,000	55	945	48
Other Current Expenditures	8,487	8,487	9,273	(786)	11,062
Capital Outlay	-	-	1,702	(1,702)	19,311

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2024
 With Comparative Amounts for the year ended December 31, 2023

	<u>2024</u>			Variance with Final Budget	<u>2023</u> Actual
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES:					
PUBLIC SAFETY: (Cont.)					
Fire Protection:					
Personnel Services	\$ 6,750	\$ 6,750	\$ 9,358	\$ (2,608)	\$ 9,535
State Fire Aid	-	-	14,920	(14,920)	13,388
Professional Services	550	550	-	550	1,320
Insurance	-	-	3,100	(3,100)	2,633
Repairs and Supplies	12,800	12,800	10,688	2,112	11,374
Training and Travel	2,000	2,000	4,215	(2,215)	9,647
Utilities	3,803	3,803	3,406	397	3,616
Other Current Expenditures	3,520	3,520	2,110	1,410	2,210
Capital Outlay	<u>11,000</u>	<u>11,000</u>	<u>181,369</u>	<u>(170,369)</u>	<u>6,711</u>
Total Public Safety	<u>49,910</u>	<u>49,910</u>	<u>240,196</u>	<u>(190,286)</u>	<u>90,855</u>
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	35,226	35,226	31,336	3,890	34,853
Insurance	-	-	1,099	(1,099)	1,037
Gas and Oil	5,400	5,400	5,957	(557)	7,524
Repairs and Maintenance	33,135	33,135	9,956	23,179	17,195
Utilities	5,136	5,136	3,600	1,536	4,355
Other Current Expenditures	5,900	5,900	952	4,948	2,107
Capital Outlay	5,000	5,000	-	5,000	-
Ice and Snow Removal:					
Current Expenditures	1,000	1,000	-	1,000	750
Street Lighting:					
Current Expenditures	<u>6,000</u>	<u>6,000</u>	<u>6,790</u>	<u>(790)</u>	<u>6,092</u>
Total Public Works	<u>96,797</u>	<u>96,797</u>	<u>59,690</u>	<u>37,107</u>	<u>73,913</u>
CULTURE AND RECREATION:					
Parks:					
Personnel Services	500	500	-	500	-
Insurance	-	-	797	(797)	560
Supplies	3,500	3,500	721	2,779	11,568
Utilities	2,089	2,089	2,671	(582)	2,731
Other Current Expenditures	-	-	405	(405)	-
Capital Outlay	13,984	13,984	11,011	2,973	28,572

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2024
 With Comparative Amounts for the year ended December 31, 2023

	<u>2024</u>			Variance with Final Budget	<u>2023</u>
	Original Budget	Final Budget	Actual		Actual
EXPENDITURES:					
CULTURE AND RECREATION (Cont.):					
Community Center:					
Insurance	\$ -	\$ -	\$ 8,389	\$ (8,389)	\$ 6,703
Repairs and Maintenance	2,500	2,500	5,847	(3,347)	6,295
Utilities	10,300	10,300	6,247	4,053	7,443
Other Current Expenditures	-	-	890	(890)	792
Total Culture and Recreation	32,873	32,873	36,978	(4,105)	64,664
ECONOMIC DEVELOPMENT:					
Current Expenditures	8,600	8,600	8,600	-	8,600
Total Economic Development	8,600	8,600	8,600	-	8,600
TOTAL EXPENDITURES	297,596	297,596	485,621	(188,025)	366,411
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	13,552	13,552	38,804	25,252	31,761
FUND BALANCE - January 1	451,431	451,431	451,431	-	419,670
FUND BALANCE - December 31	\$ 464,983	\$ 464,983	\$ 490,235	\$ 25,252	\$ 451,431

CITY OF VESTA, MINNESOTA
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 PERA GENERAL EMPLOYEES RETIREMENT FUND
 DECEMBER 31, 2024

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0013 %	47,011	1,216	48,227	108,054	44.63 %	89.10 %
June 30, 2023	0.0013 %	72,695	1,950	74,645	100,820	74.04 %	83.10 %
June 30, 2022	0.0012 %	95,040	2,933	97,973	91,302	107.31 %	76.67 %
June 30, 2021	0.0012 %	51,245	1,645	52,890	87,480	60.46 %	87.00 %
June 30, 2020	0.0012 %	71,945	2,152	74,097	83,773	88.45 %	79.10 %
June 30, 2019	0.0012 %	66,345	5,861	72,206	83,459	86.52 %	80.20 %
June 30, 2018	0.0011 %	61,023	3,539	64,562	84,325	76.56 %	79.50 %
June 30, 2017	0.0017 %	108,527	1,340	109,867	75,806	144.93 %	75.90 %
June 30, 2016	0.0022 %	178,629	2,408	181,037	138,062	131.13 %	68.90 %
June 30, 2015	0.0021 %	108,833	-	108,833	142,659	76.29 %	78.19 %

CITY OF VESTA, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2024

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2024	\$ 7,848	\$ 7,848	-	\$ 104,640	7.50 %
December 31, 2023	\$ 8,044	\$ 8,044	-	\$ 107,253	7.50 %
December 31, 2022	\$ 6,985	\$ 6,985	-	\$ 93,135	7.50 %
December 31, 2021	\$ 6,550	\$ 6,550	-	\$ 87,333	7.50 %
December 31, 2020	\$ 6,704	\$ 6,704	-	\$ 89,387	7.50 %
December 31, 2019	\$ 6,191	\$ 6,191	-	\$ 82,552	7.50 %
December 31, 2018	\$ 6,324	\$ 6,324	-	\$ 84,325	7.50 %
December 31, 2017	\$ 5,685	\$ 5,685	-	\$ 75,806	7.50 %
December 31, 2016	\$ 10,131	\$ 10,131	-	\$ 135,078	7.50 %
December 31, 2015	\$ 10,699	\$ 10,699	-	\$ 142,659	7.50 %

CITY OF VESTA, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 VESTA FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2024

Fiscal Year	2023	2022	2021	2020
Total Pension Liability				
Service Cost	\$ 3,892	\$ 3,892	\$ 3,779	\$ 3,992
Interest on the Total Pension Liability	8,372	8,595	8,608	7,988
Difference Between Expected and Actual Experience	(627)	(292)	(3,331)	(1,433)
Changes in Assumptions	67,949	-	-	-
Changes of Benefit Terms	<u>(13,000)</u>	<u>(18,800)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	66,586	(6,605)	9,056	10,547
Total Pension Liability - Beginning	<u>142,139</u>	<u>148,744</u>	<u>139,688</u>	<u>129,141</u>
Total Pension Liability - Ending (a)	<u>\$ 208,725</u>	<u>\$ 142,139</u>	<u>\$ 148,744</u>	<u>\$ 139,688</u>
Plan Fiduciary Net Position				
Contributions State	\$ 11,328	\$ 12,460	\$ 12,288	\$ 14,048
Contributions Local	4,060	-	-	-
Net Investment Income	34,029	(38,115)	22,933	29,554
Benefit Payments	(13,000)	(18,800)	-	-
Pension Plan Administrative Expense	<u>-</u>	<u>(586)</u>	<u>(613)</u>	<u>(551)</u>
Net Change in Total Pension Liability	36,417	(45,041)	34,608	43,051
Plan Fiduciary Net Position - Beginning	<u>222,618</u>	<u>267,659</u>	<u>233,051</u>	<u>190,000</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 259,035</u>	<u>\$ 222,618</u>	<u>\$ 267,659</u>	<u>\$ 233,051</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (50,310)</u>	<u>\$ (80,479)</u>	<u>\$ (118,915)</u>	<u>\$ (93,363)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	124.10 %	156.62 %	179.95 %	166.84 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017. Information for prior years is not available.

CITY OF VESTA, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 VESTA FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2024

Fiscal Year	2019	2018	2017
Total Pension Liability			
Service Cost	\$ 4,191	\$ 4,385	\$ 4,634
Interest on the Total Pension Liability	7,455	7,276	7,178
Difference Between Expected and Actual Experience	(2,574)	(8,474)	(2,525)
Changes in Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Net change in total pension liability	9,072	3,187	9,287
Total Pension Liability - Beginning	<u>120,069</u>	<u>116,882</u>	<u>122,395</u>
Total Pension Liability - Ending (a)	<u>\$ 129,141</u>	<u>\$ 120,069</u>	<u>\$ 131,682</u>
Plan Fiduciary Net Position			
Contributions State	\$ 11,679	\$ 12,654	\$ 11,647
Contributions Local	-	-	-
Net Investment Income	28,263	(6,534)	17,607
Benefit Payments	-	-	(14,800)
Pension Plan Administrative Expense	<u>(13,534)</u>	<u>(579)</u>	<u>(607)</u>
Net Change in Total Pension Liability	26,408	5,541	13,847
Plan Fiduciary Net Position - Beginning	<u>163,592</u>	<u>158,051</u>	<u>144,204</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 190,000</u>	<u>\$ 163,592</u>	<u>\$ 158,051</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (60,859)</u>	<u>\$ (43,523)</u>	<u>\$ (26,369)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	147.13 %	136.25 %	120.02 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017.
 Information for prior years is not available.

CITY OF VESTA, MINNESOTA
SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY (ASSET)
AS A PERCENT OF PAYROLL
VESTA FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2024

Fiscal Year Ended	Statorily Required Contribution	Contributions in Relation to the Statorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2024	\$ 14,920	\$ 14,920	-	N/A	N/A
December 31, 2023	\$ 13,388	\$ 13,388	-	N/A	N/A
December 31, 2022	\$ 12,460	\$ 12,460	-	N/A	N/A
December 31, 2021	\$ 12,288	\$ 12,288	-	N/A	N/A
December 31, 2020	\$ 14,048	\$ 14,048	-	N/A	N/A
December 31, 2019	\$ 11,679	\$ 11,679	-	N/A	N/A
December 31, 2018	\$ 12,654	\$ 12,654	-	N/A	N/A
December 31, 2017	\$ 11,647	\$ 11,647	-	N/A	N/A

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

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

Change in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%

Change in Plan Provisions

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

2022 Changes

Change in Actuarial Assumptions

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

Change in Plan Provisions

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

2021 Changes

Change in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2020 Changes

Change in Actuarial Assumptions

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

Change in Plan Provisions

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

2019 Changes

Change in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SECTION III

SUPPLEMENTAL SECTION

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

	Special Revenue Fund	Debt Service Funds		
	Small Cities Development Fund	Debt 2008	Street Improvement Bond (2003 Bond)	Total
ASSETS:				
Cash and Cash Equivalents	\$ <u>41,088</u>	\$ <u>10,557</u>	\$ <u>56,113</u>	\$ <u>107,758</u>
TOTAL ASSETS	\$ <u><u>41,088</u></u>	\$ <u><u>10,557</u></u>	\$ <u><u>56,113</u></u>	\$ <u><u>107,758</u></u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCES:				
Restricted	-	10,557	56,113	66,670
Assigned	<u>41,088</u>	<u>-</u>	<u>-</u>	<u>41,088</u>
Total Fund Balances	<u><u>41,088</u></u>	<u><u>10,557</u></u>	<u><u>56,113</u></u>	<u><u>107,758</u></u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u><u>41,088</u></u>	\$ <u><u>10,557</u></u>	\$ <u><u>56,113</u></u>	\$ <u><u>107,758</u></u>

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

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>		
	<u>Small Cities Development Fund</u>	<u>Debt 2008</u>	<u>Street Improvement Bond (2003 Bond)</u>	<u>Total</u>
REVENUES				
Intergovernmental Revenue	\$ 14,690	\$ -	\$ -	\$ 14,690
Interest Income	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>
Total Revenues	<u>14,690</u>	<u>1</u>	<u>1</u>	<u>14,692</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES	14,690	1	1	14,692
FUND BALANCES - January 1	<u>26,398</u>	<u>10,556</u>	<u>56,112</u>	<u>93,066</u>
FUND BALANCES - December 31	<u><u>\$ 41,088</u></u>	<u><u>\$ 10,557</u></u>	<u><u>\$ 56,113</u></u>	<u><u>\$ 107,758</u></u>

CITY OF VESTA, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

The purpose of this report is to provide a summary of financial information concerning the City of Vesta to interested citizens. The complete financial statements may be examined at the City Hall, PO Box 7 Vesta, MN. Questions about this report should be directed to Brooke Guetter, City Clerk, at 507 762 3140

	<u>Total</u> <u>2024</u>	<u>Total</u> <u>2023</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
REVENUES:			
Taxes and Assessments	\$ 185,048	\$ 189,749	(2.48)%
Licenses and Permits	1,600	1,350	18.52 %
Intergovernmental	304,121	126,119	141.14 %
Charges for Services	27,701	26,546	4.35 %
Fines	67	103	(34.95)%
Investment Earnings	10,615	6,662	59.34 %
Miscellaneous	<u>9,964</u>	<u>47,743</u>	<u>(79.13)%</u>
Total Revenues	<u>\$ 539,116</u>	<u>\$ 398,272</u>	<u>35.36 %</u>
Per Capita	<u>1,872</u>	<u>1,964</u>	
EXPENDITURES:			
Current			
General Government	\$ 140,157	\$ 128,379	9.17 %
Public Safety	57,125	64,833	(11.89)%
Public Works	59,690	73,913	(19.24)%
Culture and Recreation	25,967	36,092	(28.05)%
Economic Development	8,600	8,600	- %
Capital Outlay	<u>194,082</u>	<u>54,594</u>	<u>255.50 %</u>
Total Expenditures	<u>\$ 485,621</u>	<u>\$ 366,411</u>	<u>32.53 %</u>
Per Capita	<u>1,686</u>	<u>1,272</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 254,480</u>	<u>\$ 215,653</u>	<u>18.00 %</u>
Per Capita	<u>884</u>	<u>749</u>	

SECTION IV

ADDITIONAL INFORMATION

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

Honorable Mayor and Members of the Council
City of Vesta
Vesta, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Vesta, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Vesta, Minnesota's basic financial statements, and have issued our report thereon dated May 13, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters


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

City of Vesta, Minnesota's Response to Findings

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

Purpose of this Report

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


Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

May 13, 2025

CITY OF VESTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024

INTERNAL CONTROL FINDINGS

Audit Finding 2024-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2024-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of Vesta
Vesta, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Vesta, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that City of Vesta, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Vesta, Minnesota's noncompliance with the above reference provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Oberloh & Oberloh, Ltd.

Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

May 13, 2025