

**CITY OF OWATONNA, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2024**



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YEAR ENDED DECEMBER 31, 2024**

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## **INTRODUCTORY SECTION**

**CITY OF OWATONNA, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2024**

***City Council:***

Thomas A. Kuntz	Mayor
Doug Voss	Council member at Large
Dan Boeke	Council member at Large
Nathan Dotson	Council member First Ward
Greg Schultz	Council member Second Ward
Dave Burbank	Council member Third Ward
Kevin Raney	Council member Fourth Ward
Brent Svenby	Council member Fifth Ward

***City Officials:***

Kris Busse	City Administrator
Sean Murphy	City Engineer/Director of Public Works
Jeff Mundale	Chief of Police
Rhonda Moen	Finance Director
Ed Hoffman	Fire Chief
Troy Klecker	Director of Community Development
Jenna Tuma	Director of Parks & Recreation
Emily Thamert	Director of Human Resources
Ryan Brown	Director of Information Technology
Mark Blando	Library Director
Mark M. Walbran	City Attorney

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position, budgetary comparison for the General Fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Owatonna Public Utilities, a blended business-type component unit, which represents 54% and 77%, respectively, of the assets, and revenues of the business-type activities as of December 31, 2024, and the respective changes in net position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Owatonna Public Utilities, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

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, schedule of changes in OPEB liability and related ratios, schedule of proportionate share of the net pension liability, schedule of city contributions, and schedule of changes in net pension asset and related ratios – relief association, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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's basic financial statements. The combining statements of nonmajor governmental funds and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 GAAS. In our opinion, the combining statements of nonmajor governmental funds and the schedule of expenditures of federal awards 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 auditors' 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.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 15, 2025

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

This discussion and analysis is intended to be an easily readable analysis of the City of Owatonna's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities.

**Financial Highlights**

- The assets and deferred outflows of resources of the City of Owatonna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$328,036,425 (net position). Of this amount, \$68,833,741 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$27,799,750.
- As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$35,174,566, an increase of \$4,426,474 from the previous year. Over 71% of this amount, \$24,881,175, is available for spending at the government's discretion (assigned, committed and unassigned fund balance).
- At the end of the current fiscal year, the assigned, committed and unassigned fund balance for the general fund was \$15,807,750, or 63.2% of total general fund expenditures for 2024.
- The City of Owatonna's long-term liabilities increased in 2024. Financing for the wastewater treatment plant expansion was obtained as well as financing for the current and prior year street projects.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Owatonna's basic financial statements. The City of Owatonna's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

- The Statement of Net Position presents information on all of the City of Owatonna's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between them reported 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 of Owatonna is improving or deteriorating.

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

- The Statement of Activities presents information showing how the City's net position changed during the most recent 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 periods (e.g. uncollected taxes and earned, but unused absences).

Both of the government-wide financial statements distinguish functions of the City of Owatonna that are principally supported by taxes and intergovernmental revenues (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 of Owatonna include general government, public safety, public works, culture and recreation, and housing and economic development. The business-type activities of the City of Owatonna include a sewer utility, storm water utility, and a municipal electric, water, and gas utility. The electric, water and gas utility, comprising the Owatonna Public Utilities, are under the direction of their Board of Commissioners.

The government-wide financial statements include not only the City of Owatonna itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) for which the City of Owatonna is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17-19 of this report.

**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 of Owatonna, 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 of Owatonna can be divided into two categories, governmental funds, and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions 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 spendable resources available at the end of the 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental functions and governmental activities.

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

The City of Owatonna maintains 34 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, debt service fund, the capital projects fund and the ARPA fund, all of which are considered major funds. Data from the other 30 funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Owatonna adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

**Proprietary funds.** The City of Owatonna maintains five different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Owatonna uses enterprise funds to account for its sewer utility, storm water utility, electric, water and gas utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Owatonna's various functions. The City of Owatonna uses internal service funds to account for its risk management program and its vehicle replacement program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, storm water fund, and the municipal electric, water, and gas funds, which are considered to be major funds of the City of Owatonna.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-83 of this report.

**Other information.** Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, the statistical section presents trend information, revenue capacity information, debt capacity information, demographics and economic information, and operating information.

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

**City as a Whole**

*Government-Wide Financial Statements*

Net Position serves as a useful indicator of a government's financial position. For the City of Owatonna, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$300.2 million at the end of the current year. The largest portion of the City's net position are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt (\$220.5 million, or 73.4%). The City uses these capital assets to provide services to its citizens; thus they do not represent resources available for future spending. An additional portion of the City of Owatonna's net position (\$12.5 million or 4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$67.2 million or 22.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 45,315,132	\$ 105,883,966	\$ 71,302,357	\$ 70,343,187	\$ 116,617,489	\$ 176,227,153
Capital Assets	110,619,728	43,007,938	182,625,836	163,591,423	293,245,564	206,599,361
Total Assets	155,934,860	148,891,904	253,928,193	233,934,610	409,863,053	382,826,514
Deferred Outflows of Resources	7,937,940	10,173,799	700,312	1,384,914	8,638,252	11,558,713
Long-Term Liabilities						
Outstanding	29,500,374	27,650,313	26,825,275	33,070,255	56,325,649	60,720,568
Other Liabilities	4,075,594	5,604,450	14,527,816	13,044,691	18,603,410	18,649,141
Total Liabilities	33,575,968	33,254,763	41,353,091	46,114,946	74,929,059	79,369,709
Deferred Inflows of Resources	10,415,795	10,622,325	5,120,026	4,156,518	15,535,821	14,778,843
Net Position						
Net Investment in Capital Assets	90,832,313	88,990,330	155,612,080	131,497,179	246,444,393	220,487,509
Restricted	12,758,291	12,533,801	-	-	12,758,291	12,533,801
Unrestricted	16,290,433	13,664,484	52,543,308	53,550,881	68,833,741	67,215,365
Total Net Position	\$ 119,881,037	\$ 115,188,615	\$ 208,155,388	\$ 185,048,060	\$ 328,036,425	\$ 300,236,675

The City's financial position improved during 2024 with their net position increasing by \$27,799,750 from \$300,236,675 to \$328,036,425.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenue</b>						
Program Revenues:						
Charges for Services	\$ 3,038,018	\$ 4,039,674	\$ 76,954,305	\$ 75,029,012	\$ 79,992,323	\$ 79,068,686
Operating Grants and Contributions	1,812,340	1,773,246	-	-	1,812,340	1,773,246
Capital Grants and Contributions	4,999,053	5,535,505	14,407,742	12,035,310	19,406,795	17,570,815
General Revenues:						
Property Taxes	17,652,939	18,773,190	105,944	320,249	17,758,883	19,093,439
Sales Taxes	-	-	-	-	-	-
Franchise Fees	311,587	325,724	-	-	311,587	325,724
Lease Revenues	-	-	246,869	243,915	246,869	243,915
Grants and Contributions not Restricted to Specific Programs	5,950,512	4,961,379	-	-	5,950,512	4,961,379
Unrestricted Investment Earnings	1,445,000	1,412,326	2,393,361	1,853,795	3,838,361	3,266,121
Other	324,415	-	12,637	62,606	337,052	62,606
<b>Total Revenues</b>	<b>35,533,864</b>	<b>36,821,044</b>	<b>94,120,858</b>	<b>89,544,887</b>	<b>129,654,722</b>	<b>126,365,931</b>
<b>Expenses</b>						
General Government	2,562,793	4,723,170	-	-	2,562,793	4,723,170
Public Safety	10,094,500	10,010,175	-	-	10,094,500	10,010,175
Public Works	8,509,798	7,611,725	-	-	8,509,798	7,611,725
Culture and Recreation	6,732,608	7,073,746	-	-	6,732,608	7,073,746
Economic Development	2,982,015	2,769,617	-	-	2,982,015	2,769,617
Debt Service	733,458	282,711	-	-	733,458	282,711
Sanitary Sewer	-	-	3,491,917	3,342,876	3,491,917	3,342,876
Storm Sewer	-	-	751,678	663,660	751,678	663,660
Electric	-	-	44,886,460	45,398,423	44,886,460	45,398,423
Water	-	-	4,339,461	4,272,697	4,339,461	4,272,697
Gas	-	-	16,770,284	16,340,891	16,770,284	16,340,891
<b>Total Expenses</b>	<b>31,615,172</b>	<b>32,471,144</b>	<b>70,239,800</b>	<b>70,018,547</b>	<b>101,854,972</b>	<b>102,489,691</b>
<b>Change in Net Position</b>						
Before Transfers	3,918,692	4,349,900	23,881,058	19,526,340	27,799,750	23,876,240
Transfers	773,730	686,825	(773,730)	(686,825)	-	-
Increase (Decrease) in Net Position	4,692,422	5,036,725	23,107,328	18,839,515	27,799,750	23,876,240
Net Position, Beginning	115,188,615	110,151,890	185,048,060	166,208,545	300,236,675	276,360,435
<b>Net Position, Ending</b>	<b>\$ 119,881,037</b>	<b>\$ 115,188,615</b>	<b>\$ 208,155,388</b>	<b>\$ 185,048,060</b>	<b>\$ 328,036,425</b>	<b>\$ 300,236,675</b>

**Governmental activities.** Governmental activities provided a \$4,692,422 increase to the City's net position. Investment earnings of \$1,445,000 had a positive impact on the financial results for the City. The City benefitted from capital grants in 2024. These include ARPA monies in the amount of \$1,216,173 and municipal state aid in the amount of \$692,000. Planned expenditures were down due to vacant positions during 2024.

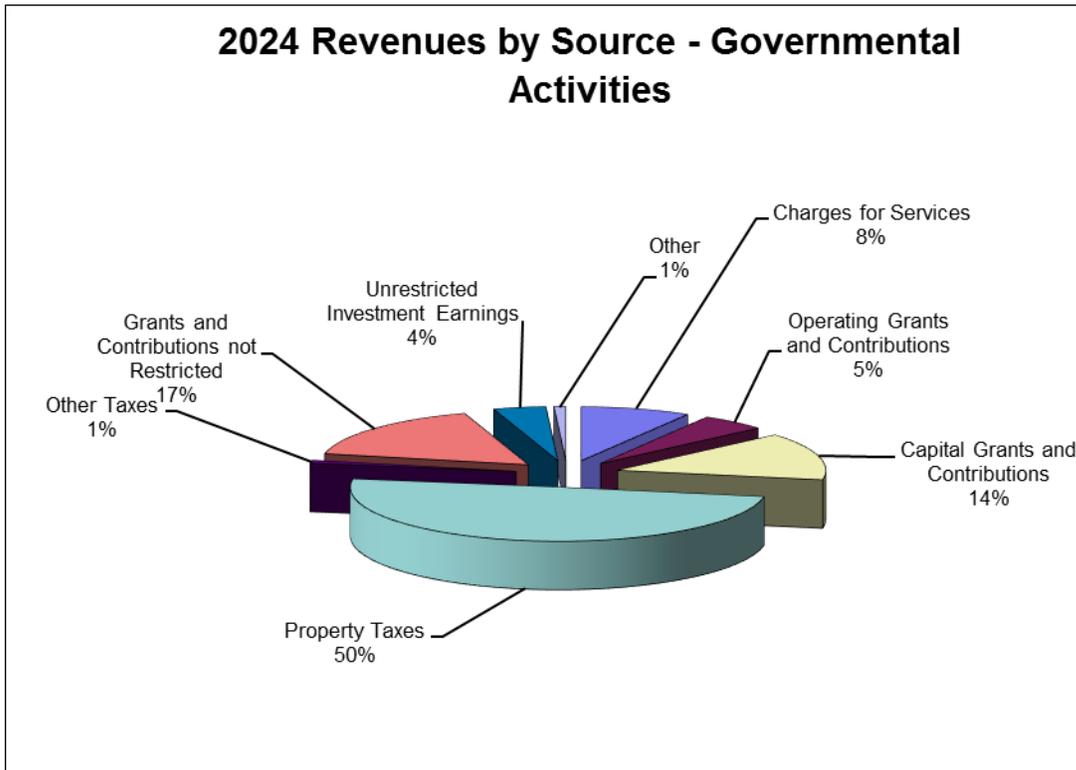
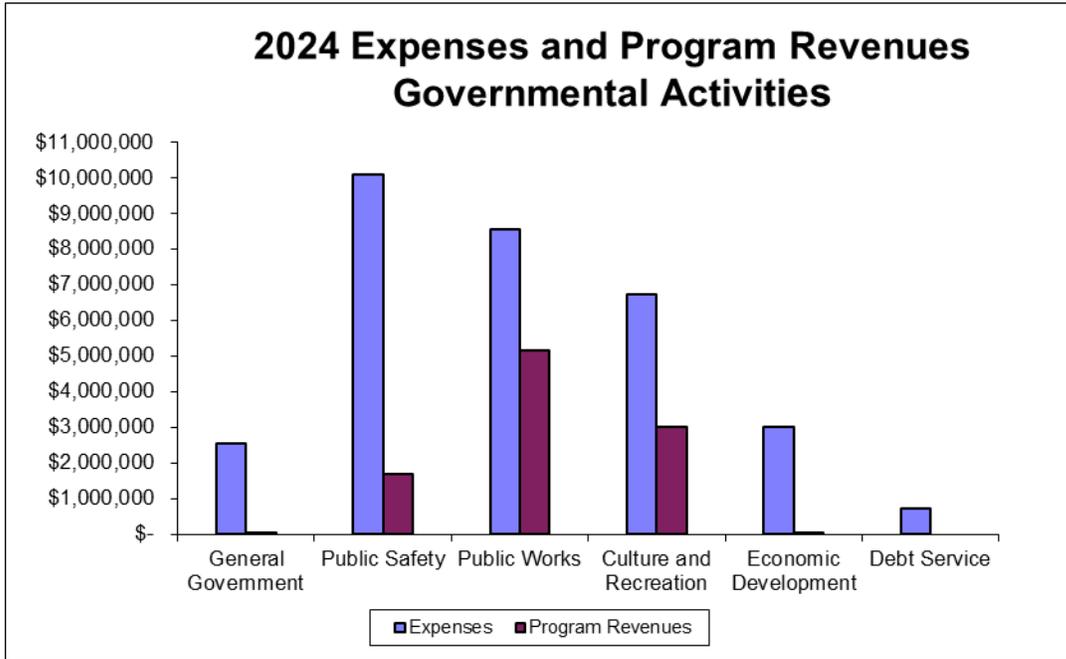
**Business-type activities.** Business-type activities provided a \$23,107,328 increase to the City's total net position. Key elements of this increase are as follows:

\$6,202,218 increase is attributable to the operations of the municipal electric, gas, and water utilities. This is a decrease from previous year. The electric and gas utilities can vary significantly depending on weather conditions.

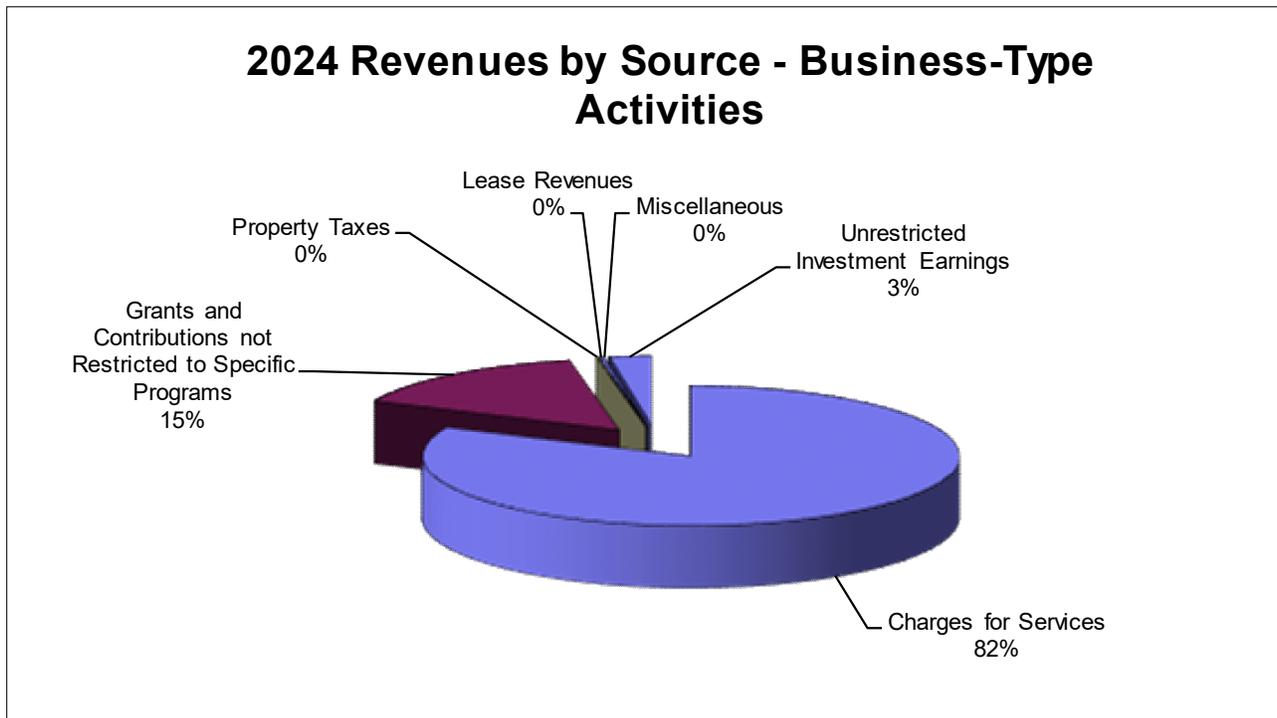
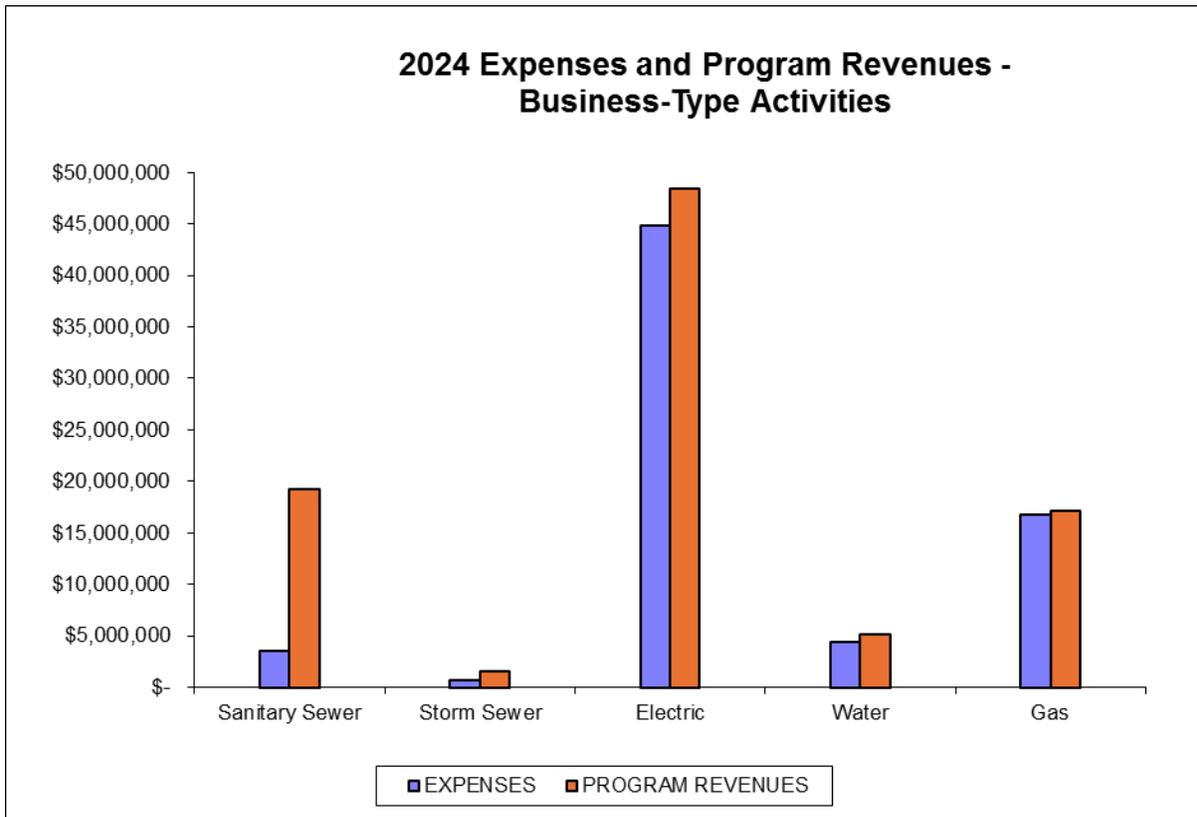
The Sewer fund had an increase in net position of \$15,979,296. This is attributed to the \$14.3 million in state grant funds received from the State of Minnesota for the wastewater expansion project.

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

The Storm Water fund had a gain from operations of \$948,706 which is consistent with previous years. This fund has started to finance its own capital improvements rather than receive them as a contribution from governmental activities.



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



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

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Owatonna uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Owatonna'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 of Owatonna's financing requirements. In particular, the City's assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$35,174,566, a \$4,426,474 increase from the prior year. Over two-thirds of this total amount (\$24,881,175) constitutes assigned, committed and unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it is already either in nonspendable form, or restricted for 1) various capital projects (\$3,166,894), or 2) debt service (\$6,080,431), or 3) a variety of other restricted purposes (\$1,046,066).

The general fund is the chief operating fund of the City of Owatonna. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$15,807,750, while total fund balance was \$16,041,303. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance and total fund balance to total fund expenditures for 2024. Assigned and unassigned fund balance represents 63.2% of total general fund expenditures, while total fund balance represents 64.1% of that same amount.

The fund balance of the City of Owatonna's general fund increased by \$2,015,907 during the current fiscal year. The key factors in this increase included investment earnings, licenses and permits and charges for services in the recreation programs all in excess of budget. On the expenditure side there were staff vacancies in several departments during 2024, reduced street maintenance projects and fuel costs were less than anticipated.

The debt service fund has a fund balance of \$6,080,431, all of which is restricted for the payment of debt service. There was an increase of \$379,835 in fund balance during the year. The government collected \$2,117,904 in debt service levy and \$432,087 in assessments. \$1,960,000 in debt was retired in 2024 plus \$445,590 in interest costs.

The capital projects fund has a fund balance of \$12,031,561, of which \$2,514,350 is restricted for specific capital projects, \$9,320,611 has been assigned for future capital projects and the council has committed \$196,600 for specific capital projects. There was an increase of \$1,749,777 in fund balance during the current year. This increase was due to the City issuing bonds for projects costs that were incurred in 2024.

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

The ARPA fund has a fund balance of \$263,238. The City received \$2.8 million in grant funds in 2021 and 2022, of which all was spent as of the end of the year. The increase in fund balance is due to investment earnings.

There was an increase in fund balance for the nonmajor governmental funds in 2024. The majority of activity in these funds is related to tax increment financing (TIF) funds. The increment is received and then disbursed as per the terms of the TIF plans.

**Proprietary funds.** The City of Owatonna's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year was \$17,521,085 for the sewer fund, \$5,025,706 for the storm water fund, \$30,223,178 for the municipal electric, water and gas utilities. The total change in net position was \$15,979,296 for the sewer fund, \$948,706 for the storm water fund, \$6,202,218 for the municipal electric, water and gas utilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Owatonna's business-type activities.

### **Budgetary Highlights**

The current year budget included revenues equal to expenditures for the general fund. Actual expenditures were within the budgeted amount. Additional information on the budget can be found in note III.A. on page 61 of the basic financial statements.

### **Capital Assets and Debt Administration**

**Capital assets.** The City of Owatonna's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$293,245,564 (net of accumulated depreciation/amortization). This investment in capital assets includes land and other rights, building, improvements, equipment, park facilities, roads, bridges, utility systems, and subscription based information technology arrangement assets. The total increase in the City of Owatonna's investment in capital assets for the current fiscal year was 9% (a 4.8% increase for governmental activities and a 11.6% increase for business-type activities).

Major capital asset events during the current year included the following:

- Land purchases of \$1,513,000.
- Street reconstruction projects included the annual street and utility projects for 2023 and 2024 being completed in 2024 (\$1.1 million).
- A major mechanical and electrical upgrade to Merrill Hall was still ongoing at the end of 2024 resulting in an increase in construction in progress of \$3.3 million.
- The expansion of the WWTP which began in 2022, resulted in \$15.6 million increase in construction in progress. This project is expected to be completed in 2025.
- Various system improvements were completed for the municipal water, electric and gas utilities at cost of \$12.3 million.

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

**Capital Assets at Year-end**

	Governmental Activities	Business-Type Activities	Total
Land and Land Rights	\$ 10,615,306	\$ 7,394,030	\$ 18,009,336
Buildings	30,267,992	47,757,296	78,025,288
Improvements Other Than Buildings	2,075,151	-	2,075,151
Equipment	21,068,953	19,420,811	40,489,764
Infrastructure	135,077,246	134,011,122	269,088,368
Construction in Progress	7,661,600	63,146,404	70,808,004
SIBTA	717,310	-	717,310
Less: Accumulated Depreciation/Amortization	(96,863,830)	(89,103,827)	(185,967,657)
Total	<u>\$ 110,619,728</u>	<u>\$ 182,625,836</u>	<u>\$ 293,245,564</u>

Additional information on the City's capital assets can be found in Note 3A 5. on pages 50-52 of the basic financial statements.

**Long-term debt.** At year-end, the City had \$42,644,477 in bonds and notes outstanding. There was \$7,040,705 in debt issued in 2024. There was a total of \$4,495,000 in debt retired during the year.

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 10,615,000	-	\$ 10,615,000
General Obligation Capital Improvement Bonds	2,605,000	-	2,605,000
General Obligation Tax Abatement Bonds	4,875,000	-	4,875,000
Subscriptions Payable	293,745	-	293,745
General Obligation Revenue Bonds	-	1,470,000	1,470,000
Notes from Direct Borrowings and Direct Placements	-	22,785,732	22,785,732
Subtotal	<u>18,388,745</u>	<u>24,255,732</u>	<u>42,644,477</u>
Plus: Bond Premiums	1,073,191	29,959	1,103,150
Net Outstanding Indebtedness	<u>\$ 19,461,936</u>	<u>\$ 24,285,691</u>	<u>\$ 43,747,627</u>

The City's bond rating is Aa1 from Moody's Investor Services. Other obligations include compensated absences. More detailed information on the City's long-term liabilities is presented in Note 3B 1. on pages 54-59 of the basic financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The impacts of inflation have impacted the cost of City operations.

- The State of Minnesota legislature attempts to reach an agreement on the funding level of LGA on an annual basis. This has proven to be a contentious issue each legislative session and has a potential to be at risk due to the pandemic as the State's total revenues have been greatly impacted. The uncertainty of future LGA funding levels does create a challenge.
- The City of Owatonna has established a building maintenance fund in order to address the maintenance needs of the many buildings the City owns. The funding for this began in 2018.
- The City of Owatonna has seen its population increase 4.3% since the 2020 census.

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of fund operating revenues or no less than 5 months of operating expenditures. The committed, assigned and unassigned fund balance of the general fund, which is the equivalent of "unrestricted fund balance" at the end of the current fiscal year equaled 81.4% of next years' budgeted expenditures.

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

**Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 540 West Hills Circle, Owatonna, Minnesota 55060.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF OWATONNA, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2024**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Activities	Economic Development Activities
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 12,211,208	\$ 17,200,168	\$ 29,411,376	\$ 605,064	\$ 837,744
Investments	25,169,728	36,653,155	61,822,883	-	1,200,000
Receivables:					
Taxes - Receivable Delinquent	130,409	-	130,409	-	61
Accounts Receivable	108,712	9,851,784	9,960,496	3,426	20,359
Assessments Receivable	1,982,433	6,865	1,989,298	-	-
Interest Receivable	197,183	-	197,183	-	-
Due from Other Governments	3,141,476	2,046,569	5,188,045	22,962	-
Lease Receivable	81,561	159,188	240,749	-	-
Inventories	52,489	1,656,794	1,709,283	-	-
Land Held for Resale	-	-	-	162,108	-
Prepaid Items	145,999	-	145,999	-	-
Internal Balances	290,347	(288,499)	1,848	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	45,011	-
Other Assets	-	591,379	591,379	6,170	-
Total Current Assets	<u>43,511,545</u>	<u>67,877,403</u>	<u>111,388,948</u>	<u>844,741</u>	<u>2,058,164</u>
<b>NONCURRENT ASSETS</b>					
Other Assets:					
Loans Receivable	636,431	-	636,431	-	1,796,279
Lease Receivable	-	2,764,688	2,764,688	-	2,256,797
Net Pension Asset	1,167,156	-	1,167,156	-	-
Land Held for Future Use	-	660,266	660,266	-	-
Capital Assets, Net:					
Land and Land Rights	10,615,306	7,394,030	18,009,336	-	508,251
Buildings	30,267,992	47,757,296	78,025,288	52,000	-
Improvements Other Than Buildings	2,075,151	-	2,075,151	-	-
Equipment	21,068,953	19,420,811	40,489,764	-	-
Infrastructure	135,077,246	134,011,122	269,088,368	-	-
Construction in Progress	7,661,600	63,146,404	70,808,004	-	-
Less: Accumulated Depreciation	(96,449,172)	(89,103,827)	(185,552,999)	(22,436)	-
Subscription Based Information Technology Arrangement (SBITA) Asset	717,310	-	717,310	-	-
Less: Accumulated Amortization	(414,658)	-	(414,658)	-	-
Total Noncurrent Assets	<u>112,423,315</u>	<u>186,050,790</u>	<u>298,474,105</u>	<u>29,564</u>	<u>4,561,327</u>
Total Assets	<u>155,934,860</u>	<u>253,928,193</u>	<u>409,863,053</u>	<u>874,305</u>	<u>6,619,491</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	7,857,817	679,638	8,537,455	-	-
Other Post-Employment Benefits (OPEB) Related	80,123	20,674	100,797	-	-
Total Deferred Outflows of Resources	<u>7,937,940</u>	<u>700,312</u>	<u>8,638,252</u>	<u>-</u>	<u>-</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**DECEMBER 31, 2024**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Housing and	Economic
	Activities	Activities		Redevelopment	Development
<b>LIABILITIES</b>				Activities	Activities
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 1,642,209	\$ 7,804,982	\$ 9,447,191	\$ 354	\$ 39,618
Retainage Payable	325,479	2,510,206	2,835,685	-	-
Accrued Liabilities	736,282	446,856	1,183,138	26,368	-
Accrued Interest Payable	255,947	240,122	496,069	-	-
Deposits	126,900	-	126,900	-	-
Surcharges Payable	29,000	-	29,000	-	-
Unearned Revenue	226,515	759,010	985,525	9,160	-
Due to Other Governments	733,262	215,396	948,658	-	-
Due to Primary Government	-	-	-	-	1,848
Long-Term Liabilities - Due within One Year	2,024,884	2,551,244	4,576,128	-	-
Total Current Liabilities	<u>6,100,478</u>	<u>14,527,816</u>	<u>20,628,294</u>	<u>35,882</u>	<u>41,466</u>
<b>LONG-TERM LIABILITIES</b>					
Long-Term Liabilities - Due in More Than One Year	19,347,352	23,427,146	42,774,498	-	-
Other Postemployment Benefits	761,912	200,743	962,655	-	-
Net Pension Liability	7,366,226	3,197,386	10,563,612	-	-
Total Long-term Liabilities	<u>27,475,490</u>	<u>26,825,275</u>	<u>54,300,765</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>33,575,968</u>	<u>41,353,091</u>	<u>74,929,059</u>	<u>35,882</u>	<u>41,466</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	9,913,013	2,224,307	12,137,320	-	-
Other Post-Employment Benefits (OPEB) Related	422,651	68,407	491,058	-	-
Lease Receivable	80,131	2,827,312	2,907,443	-	-
Gain on Bond Refunding	-	-	-	-	-
Total Deferred Inflows of Resources	<u>10,415,795</u>	<u>5,120,026</u>	<u>15,535,821</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	90,832,313	155,612,080	246,444,393	29,564	508,251
Restricted for:					
Library Hunewill	16,500	-	16,500	-	-
Library Memorials	772,942	-	772,942	-	-
Net Pension Asset	1,167,156	-	1,167,156	-	-
Debt Service	7,551,800	-	7,551,800	-	-
Dam Repair	59,928	-	59,928	-	-
Grant Projects	21	-	21	-	-
Capital Projects	3,166,894	-	3,166,894	-	-
Housing Programs	-	-	-	18,643	-
Economic Development	23,050	-	23,050	-	-
Unrestricted	16,290,433	52,543,308	68,833,741	790,216	6,069,774
Total Net Position	<u>\$ 119,881,037</u>	<u>\$ 208,155,388</u>	<u>\$ 328,036,425</u>	<u>\$ 838,423</u>	<u>\$ 6,578,025</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Activities	Economic Development Activities
<b>Governmental Activities:</b>									
Primary Government									
Governmental Activities									
General Government	\$ 2,562,793	\$ 31,340	\$ 17,749	\$ -	\$ (2,513,704)	\$ -	\$ (2,513,704)	\$ -	\$ -
Public Safety	10,094,500	262,295	1,253,477	176,455	(8,402,273)	-	(8,402,273)	-	-
Public Works	8,509,798	1,224,566	279,651	3,606,425	(3,399,156)	-	(3,399,156)	-	-
Culture and Recreation	6,732,608	1,509,693	261,463	1,216,173	(3,745,279)	-	(3,745,279)	-	-
Housing and Economic Development	2,982,015	10,124	-	-	(2,971,891)	-	(2,971,891)	-	-
Interest on Long-Term Debt	733,458	-	-	-	(733,458)	-	(733,458)	-	-
Total Governmental Activities	31,615,172	3,038,018	1,812,340	4,999,053	(21,765,761)	-	(21,765,761)	-	-
Business-Type Activities:									
Sewer	3,491,917	4,905,939	-	14,319,362	-	15,733,384	15,733,384	-	-
Storm Water	751,678	1,417,596	-	88,380	-	754,298	754,298	-	-
Electric	44,886,460	48,422,751	-	-	-	3,536,291	3,536,291	-	-
Water	4,339,461	5,103,830	-	-	-	764,369	764,369	-	-
Gas	16,770,284	17,104,189	-	-	-	333,905	333,905	-	-
Total Business-Type Activities	70,239,800	76,954,305	-	14,407,742	-	21,122,247	21,122,247	-	-
Total Primary Government	\$ 101,854,972	\$ 79,992,323	\$ 1,812,340	\$ 19,406,795	(21,765,761)	21,122,247	(643,514)	-	-
Component Units:									
Housing and Redevelopment Activities	\$ 1,528,635	\$ 24,500	\$ 1,230,949	\$ -	-	-	-	(273,186)	-
Economic Development Activities	781,080	65,885	225,195	-	-	-	-	-	(490,000)
Total Component Units	\$ 2,309,715	\$ 90,385	\$ 1,456,144	\$ -	-	-	-	(273,186)	(490,000)
<b>General Revenues</b>									
Taxes:									
Property Taxes					17,652,939	105,944	17,758,883	198,967	200,000
Lodging Tax					-	-	-	-	297,684
Franchise Taxes					311,587	-	311,587	-	-
Lease Revenues					-	246,869	246,869	-	-
Grants and Contributions not Restricted to Specific Programs					5,950,512	-	5,950,512	-	-
Unrestricted Investment Earnings (Interest)					1,445,000	2,393,361	3,838,361	27,631	92,231
Gain (Loss) on Sale of Capital Assets					284,227	12,637	296,864	-	58,441
Miscellaneous					40,188	-	40,188	59,173	-
Transfers					773,730	(773,730)	-	-	-
Total Revenues					26,458,183	1,985,081	28,443,264	285,771	648,356
Change in Net Position					4,692,422	23,107,328	27,799,750	12,585	158,356
Net Position - Beginning of Year					115,188,615	185,048,060	300,236,675	825,838	6,419,669
Net Position - End of Year					\$ 119,881,037	\$ 208,155,388	\$ 328,036,425	\$ 838,423	\$ 6,578,025

See accompanying Notes to Basic Financial Statements.

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

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash	\$ 2,131,199	\$ 3,571,212	\$ 4,393,475	\$ 532,675	\$ 912,272	\$ 11,540,833
Investments	14,769,728	2,500,000	5,750,000	-	600,000	23,619,728
Interest Receivable	197,183	-	-	-	-	197,183
Taxes receivable - Delinquent	130,409	-	-	-	-	130,409
Accounts Receivable	105,052	-	-	-	-	105,052
Assessments Receivable	-	1,769,279	213,155	-	-	1,982,434
Due From Other Funds	3,272	-	-	58,566	-	61,838
Due From Other Governments	234,182	-	2,907,294	-	-	3,141,476
Lease Receivable	81,561	-	-	-	-	81,561
Inventories	52,489	-	-	-	-	52,489
Advance to Other Funds	121,136	-	707,024	-	-	828,160
Loans Receivable	-	-	636,431	-	-	636,431
<b>Total Assets</b>	<b>\$ 17,826,211</b>	<b>\$ 7,840,491</b>	<b>\$ 14,607,379</b>	<b>\$ 591,241</b>	<b>\$ 1,512,272</b>	<b>\$ 42,377,594</b>
<b>Liabilities:</b>						
Accounts Payable	\$ 731,235	\$ 32,744	\$ 603,362	\$ 278,397	\$ 47,215	\$ 1,692,953
Retainage Payable	-	-	275,873	49,606	-	325,479
Accrued Wages	586,331	-	-	-	-	586,331
Surcharges Payable	29,000	-	-	-	-	29,000
Deposits	126,900	-	-	-	-	126,900
Unearned Revenue	175,515	-	51,000	-	-	226,515
Due To Other Governments	-	-	733,262	-	-	733,262
Advance From Other Funds	-	-	121,136	-	707,024	828,160
<b>Total Liabilities</b>	<b>1,648,981</b>	<b>32,744</b>	<b>1,784,633</b>	<b>328,003</b>	<b>754,239</b>	<b>4,548,600</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue - Taxes	55,796	-	-	-	-	55,796
Unavailable Revenue - Development Receivable	-	-	578,030	-	-	578,030
Unavailable Revenue - Special Assessments	-	1,727,316	213,155	-	-	1,940,471
Lease Receivable	80,131	-	-	-	-	80,131
<b>Total Deferred Inflows of Resources</b>	<b>135,927</b>	<b>1,727,316</b>	<b>791,185</b>	<b>-</b>	<b>-</b>	<b>2,654,428</b>
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Inventories	52,489	-	-	-	-	52,489
Advance To Other Funds	121,136	-	-	-	-	121,136
<b>Restricted For:</b>						
Library Hunewill	-	-	-	-	16,500	16,500
Library Memorial	-	-	-	-	772,942	772,942
Debt Service	-	6,080,431	-	-	-	6,080,431
Dam Repair	59,928	-	-	-	-	59,928
Grant Projects	-	-	-	-	21	21
Capital Projects	-	-	2,500,117	-	666,777	3,166,894
Economic Development	-	-	14,233	-	8,817	23,050
<b>Committed for:</b>						
Capital Projects	-	-	196,600	-	-	196,600
<b>Assigned For:</b>						
Capital Projects	-	-	9,320,611	263,238	-	9,583,849
Compensated Absences/OPEB	3,014,740	-	-	-	-	3,014,740
Unassigned	12,793,010	-	-	-	(707,024)	12,085,986
<b>Total Fund Balances</b>	<b>16,041,303</b>	<b>6,080,431</b>	<b>12,031,561</b>	<b>263,238</b>	<b>758,033</b>	<b>35,174,566</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 17,826,211</b>	<b>\$ 7,840,491</b>	<b>\$ 14,607,379</b>	<b>\$ 591,241</b>	<b>\$ 1,512,272</b>	<b>\$ 42,377,594</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 35,174,566</b>
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital Assets	\$ 194,712,966	
Accumulated Depreciation/Amortization	<u>(90,148,421)</u>	104,564,545
Net Pension Asset, Liability and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Asset	1,167,156	
Net Pension Liability	(7,366,226)	
Deferred Outflows of Resources - Pension Related	7,857,817	
Deferred Inflows of Resources - Pension Related	<u>(9,913,013)</u>	(8,254,266)
Other Postemployment Benefits Payable and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Payable	(761,912)	
Deferred Outflows of Resources - OPEB Related	80,123	
Deferred Inflows of Resources - OPEB Related	<u>(422,651)</u>	(1,104,440)
Net position held in Internal Service funds are included in the statement of net position.		8,554,518
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.		(255,947)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.		
Bonds, Notes, Subscription and Leases Payable	(18,388,745)	
Accrued Compensated Absences	(1,910,300)	
Unamortized Bond Premium	<u>(1,073,191)</u>	(21,372,236)
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		<u>2,574,297</u>
<b>Total Net Position of Governmental Activities</b>		<b><u><u>\$ 119,881,037</u></u></b>

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 14,732,432	\$ 2,117,904	\$ 1,171,000	\$ -	\$ 2,598,834	\$ 20,620,170
Licenses and Permits	601,772	-	-	-	-	601,772
Intergovernmental	7,477,868	-	643,442	1,216,173	-	9,337,483
Charges for Services	2,603,044	-	-	-	-	2,603,044
Fines and Forfeits	131,329	-	-	-	-	131,329
Special Assessments	-	432,087	119,809	-	-	551,896
Interest on Investments	636,331	247,434	425,434	66,042	69,759	1,445,000
Contributions and Donations	21,851	-	11,000	-	-	32,851
Miscellaneous	312,491	-	46,105	-	182,139	540,735
Total Revenues	<u>26,517,118</u>	<u>2,797,425</u>	<u>2,416,790</u>	<u>1,282,215</u>	<u>2,850,732</u>	<u>35,864,280</u>
<b>EXPENDITURES</b>						
Current:						
General Government	4,014,759	12,000	-	-	-	4,026,759
Public Safety	9,424,902	-	-	-	-	9,424,902
Public Works	5,249,058	-	-	-	-	5,249,058
Culture and Recreation	5,677,176	-	-	-	-	5,677,176
Housing and Economic Development	395,238	-	-	-	2,597,512	2,992,750
Miscellaneous	-	-	26,681	50,573	92,220	169,474
Capital Outlay	23,701	-	7,748,232	1,176,717	-	8,948,650
Debt Service:						
Principal Retirement	211,889	1,960,000	-	-	-	2,171,889
Interest and Service Charges	13,188	445,590	149,171	-	-	607,949
Total Expenditures	<u>25,009,911</u>	<u>2,417,590</u>	<u>7,924,084</u>	<u>1,227,290</u>	<u>2,689,732</u>	<u>39,268,607</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,507,207	379,835	(5,507,294)	54,925	161,000	(3,404,327)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Bonds and Notes	-	-	6,565,000	-	-	6,565,000
Premiums on Bonds Issued	-	-	492,071	-	-	492,071
Transfers In	708,700	-	200,000	65,030	-	973,730
Transfers Out	(200,000)	-	-	-	-	(200,000)
Total Other Financing Sources (Uses)	<u>508,700</u>	<u>-</u>	<u>7,257,071</u>	<u>65,030</u>	<u>-</u>	<u>7,830,801</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,015,907	379,835	1,749,777	119,955	161,000	4,426,474
Fund Balances - Beginning of Year	<u>14,025,396</u>	<u>5,700,596</u>	<u>10,281,784</u>	<u>143,283</u>	<u>597,033</u>	<u>30,748,092</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 16,041,303</u>	<u>\$ 6,080,431</u>	<u>\$ 12,031,561</u>	<u>\$ 263,238</u>	<u>\$ 758,033</u>	<u>\$ 35,174,566</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2024**

**Net Change in Fund Balances - Total Governmental Funds** \$ 4,426,474

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	8,900,486	
Loss on Disposal of Capital Assets	(85,872)	
Depreciation/Amortization Expense	(4,651,865)	4,162,749

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes Receivable Unavailable Revenue:		
At December 31, 2023	(112,606)	
At December 31, 2024	55,796	(56,810)
Special Assessments/Development Receivable Unavailable Revenue:		
At December 31, 2023	(2,982,511)	
At December 31, 2024	2,518,501	(464,010)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The effect of these items is as follows:

Repayment of Debt Principal	1,960,000	
Issuance of Debt	(6,565,000)	
Premium on Bond Issuance	(492,071)	
Repayment of Subscriptions Payable Principal	211,889	
Change in Accrued Interest	(98,725)	
Amortization of Bond Discount/Premium	197,105	(4,786,802)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measure by the change in Net Pension Liability and the related deferred inflows and outflows of resources. 912,210

Other Postemployment Benefits (OPEB) expenditures on the governmental funds are measured by current year employer contributions. OPEB expenses on the statement of activities are measure by the change in the OPEB Liability and the related deferred inflows and outflows of (31,812)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: (67,930)

Change in Accrued Compensated Absences

The net revenue of internal service funds is reported in governmental activities. 598,353

**Change in Net Position of Governmental Activities** \$ 4,692,422

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

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Storm Water Fund	Electric Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 5,239,073	\$ 2,003,571	\$ 5,193,549
Investments	11,830,000	2,900,000	8,491,430
Accounts Receivable	4,141	-	6,169,705
Assessments Receivable	6,865	-	-
Lease Receivable	-	-	-
Due From Other Funds	486,693	117,000	-
Due From Other Governments	1,958,189	88,380	-
Inventories at Cost	-	-	1,159,057
Other Assets	-	-	351,438
Total Current Assets	<u>19,524,961</u>	<u>5,108,951</u>	<u>21,365,179</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets, Net	78,379,127	13,203,199	50,365,221
Lease Receivable	-	-	-
Land Held for Future Use	-	-	-
Total Noncurrent Assets	<u>78,379,127</u>	<u>13,203,199</u>	<u>50,365,221</u>
Total Assets	97,904,088	18,312,150	71,730,400
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	72,491	8,055	311,019
OPEB Related	5,114	-	7,002
Total Deferred Outflows of Resources	<u>77,605</u>	<u>8,055</u>	<u>318,021</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	1,100,924	7,943	4,029,645
Retainage Payable	2,510,206	-	-
Accrued Wages	36,125	4,540	237,356
Accrued Interest Payable	229,509	10,613	-
Due To Other Funds	-	-	665,531
Due To Other Governments	-	-	160,664
Unearned Revenue	-	-	623,264
Accrued Compensated Absences	-	-	127,991
Notes and Bonds Payable, Net	2,121,928	170,000	-
Accrued OPEB Liability	-	-	3,269
Total Current Liabilities	<u>5,998,692</u>	<u>193,096</u>	<u>5,847,720</u>
<b>NONCURRENT LIABILITIES</b>			
Notes and Bonds Payable, Net	20,663,805	1,329,959	-
Net Pension Liability	318,621	35,402	1,585,091
Accrued Compensated Absences	103,592	8,680	662,354
Accrued OPEB Liability	48,633	-	65,181
Total Noncurrent Liabilities	<u>21,134,651</u>	<u>1,374,041</u>	<u>2,312,626</u>
Total Liabilities	27,133,343	1,567,137	8,160,346
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	217,098	24,122	988,190
OPEB Related	26,979	-	18,641
Lease Receivable	-	-	-
Total Deferred Inflows of Resources	<u>244,077</u>	<u>24,122</u>	<u>1,006,831</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	53,083,188	11,703,240	50,306,655
Unrestricted	17,521,085	5,025,706	12,574,589
Total Net Position	<u>\$ 70,604,273</u>	<u>\$ 16,728,946</u>	<u>\$ 62,881,244</u>

Adjustment to Reflect the Consolidation of Internal  
Service Fund Activities Related to Enterprise Funds  
Net Position of Business-Type Activities

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Gas Fund	Total Enterprise Funds	Activities Internal Service Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 2,901,231	\$ 1,862,744	\$ 17,200,168	\$ 670,375
Investments	4,779,778	8,651,947	36,653,155	1,550,000
Accounts Receivable	358,521	3,319,417	9,851,784	3,660
Assessments Receivable	-	-	6,865	-
Lease Receivable	159,188	-	159,188	-
Due From Other Funds	-	-	603,693	-
Due From Other Governments	-	-	2,046,569	-
Inventories at Cost	68,926	428,811	1,656,794	-
Other Assets	113,834	126,107	591,379	145,999
Total Current Assets	<u>8,381,478</u>	<u>14,389,026</u>	<u>68,769,595</u>	<u>2,370,034</u>
<b>NONCURRENT ASSETS</b>				
Capital Assets, Net	22,013,530	18,664,759	182,625,836	6,055,183
Lease Receivable	2,764,688	-	2,764,688	-
Land Held for Future Use	-	660,266	660,266	-
Total Noncurrent Assets	<u>24,778,218</u>	<u>19,325,025</u>	<u>186,050,790</u>	<u>6,055,183</u>
Total Assets	<u>33,159,696</u>	<u>33,714,051</u>	<u>254,820,385</u>	<u>8,425,217</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	125,269	162,804	679,638	-
OPEB Related	3,423	5,135	20,674	-
Total Deferred Outflows of Resources	<u>128,692</u>	<u>167,939</u>	<u>700,312</u>	<u>-</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	247,270	2,419,200	7,804,982	99,208
Retainage Payable	-	-	2,510,206	-
Accrued Wages	67,815	101,020	446,856	-
Accrued Interest Payable	-	-	240,122	-
Due To Other Funds	-	-	665,531	-
Due To Other Governments	3,526	51,206	215,396	-
Unearned Revenue	95,311	40,435	759,010	-
Accrued Compensated Absences	46,658	84,667	259,316	-
Notes and Bonds Payable, Net	-	-	2,291,928	-
Accrued OPEB Liability	1,598	2,398	7,265	-
Total Current Liabilities	<u>462,178</u>	<u>2,698,926</u>	<u>15,200,612</u>	<u>99,208</u>
<b>NONCURRENT LIABILITIES</b>				
Notes and Bonds Payable, Net	-	-	21,993,764	-
Net Pension Liability	578,087	680,185	3,197,386	-
Accrued Compensated Absences	310,461	348,295	1,433,382	-
Accrued OPEB Liability	31,866	47,798	193,478	-
Total Noncurrent Liabilities	<u>920,414</u>	<u>1,076,278</u>	<u>26,818,010</u>	<u>-</u>
Total Liabilities	<u>1,382,592</u>	<u>3,775,204</u>	<u>42,018,622</u>	<u>99,208</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	420,915	573,982	2,224,307	-
OPEB Related	9,115	13,672	68,407	-
Lease Receivable	2,827,312	-	2,827,312	-
Total Deferred Inflows of Resources	<u>3,257,342</u>	<u>587,654</u>	<u>5,120,026</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	21,964,705	18,554,292	155,612,080	-
Unrestricted	6,683,749	10,964,840	52,769,969	8,326,009
Total Net Position	<u>\$ 28,648,454</u>	<u>\$ 29,519,132</u>	<u>208,382,049</u>	<u>\$ 8,326,009</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(226,661)	
Net Position of Business-Type Activities			<u>\$ 208,155,388</u>	

See accompanying Notes to Basic Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Storm Water Fund	Electric Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 4,905,841	\$ 1,417,596	\$ 48,422,751
Miscellaneous	98	-	-
Total Operating Revenues	<u>4,905,939</u>	<u>1,417,596</u>	<u>48,422,751</u>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	1,688,564	347,792	39,455,201
Depreciation	1,067,394	380,551	2,416,175
Utility Service Contributed to City	-	-	1,267,944
Administrative Costs	188,233	1,788	1,747,140
Total Operating Expenses	<u>2,944,191</u>	<u>730,131</u>	<u>44,886,460</u>
<b>OPERATING INCOME (LOSS)</b>	1,961,748	687,465	3,536,291
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Property Taxes	-	105,944	-
Intergovernmental Revenue	14,319,362	88,380	-
Gain (Loss) on Sale of Capital Assets	-	-	9,832
Income (Loss) on Investments	848,780	236,434	533,762
Lease Revenue	-	-	-
Lease Interest Income	-	-	-
Interest Expense and Fiscal Charges	(524,834)	(21,547)	-
Total Nonoperating Revenues (Expenses)	<u>14,643,308</u>	<u>409,211</u>	<u>543,594</u>
<b>CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND TRANSFERS</b>	16,605,056	1,096,676	4,079,885
Transfers Out	(625,760)	(147,970)	-
<b>CHANGE IN NET POSITION</b>	15,979,296	948,706	4,079,885
Net Position - Beginning of Year	54,624,977	15,780,240	58,801,359
<b>NET POSITION - END OF YEAR</b>	<u>\$ 70,604,273</u>	<u>\$ 16,728,946</u>	<u>\$ 62,881,244</u>
Change in Net Position Reflected Above			
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			
<b>Change in Net Position of Business-Type Activities</b>			

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 5,103,830	\$ 17,104,189	\$ 76,954,207	\$ 4,057,070
Miscellaneous	-	-	98	-
Total Operating Revenues	<u>5,103,830</u>	<u>17,104,189</u>	<u>76,954,305</u>	<u>4,057,070</u>
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	2,353,711	13,902,969	57,748,237	2,803,057
Depreciation	655,296	770,812	5,290,228	877,813
Utility Service Contributed to City	238,742	296,321	1,803,007	-
Administrative Costs	1,091,712	1,800,182	4,829,055	-
Total Operating Expenses	<u>4,339,461</u>	<u>16,770,284</u>	<u>69,670,527</u>	<u>3,680,870</u>
<b>OPERATING INCOME (LOSS)</b>	764,369	333,905	7,283,778	376,200
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property Taxes	-	-	105,944	-
Intergovernmental Revenue	-	-	14,407,742	-
Gain (Loss) on Sale of Capital Assets	1,122	1,683	12,637	198,355
Income (Loss) on Investments	244,054	530,331	2,393,361	-
Lease Revenue	192,620	-	192,620	-
Lease Interest Income	54,249	-	54,249	-
Interest Expense and Fiscal Charges	-	-	(546,381)	-
Total Nonoperating Revenues (Expenses)	<u>492,045</u>	<u>532,014</u>	<u>16,620,172</u>	<u>198,355</u>
<b>CHANGE IN NET POSITION BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,256,414	865,919	23,903,950	574,555
Transfers Out	-	-	(773,730)	-
<b>CHANGE IN NET POSITION</b>	1,256,414	865,919	23,130,220	574,555
Net Position - Beginning of Year	<u>27,392,040</u>	<u>28,653,213</u>	<u>185,251,829</u>	<u>7,751,454</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 28,648,454</u>	<u>\$ 29,519,132</u>	<u>\$ 208,382,049</u>	<u>\$ 8,326,009</u>
Change in Net Position Reflected Above			\$ 23,130,220	
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(22,892)	
<b>Change in Net Position of Business-Type Activities</b>			<u>\$ 23,107,328</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Storm	
		Water Fund	Electric Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 5,430,046	\$ 1,410,596	\$ 46,726,968
Cash Payments to Suppliers for Goods Services	(3,455,474)	(244,317)	(41,808,499)
Cash Payments to Employees for Services	(932,171)	(126,336)	(924,177)
Other Cash Receipts	-	-	1,527,702
Net Cash Provided by (Used for) Operating Activities	<u>1,042,401</u>	<u>1,039,943</u>	<u>5,521,994</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer to Other Funds	(625,760)	(147,970)	-
Lease Receipts	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(625,760)</u>	<u>(147,970)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(15,737,389)	(402,780)	(4,527,037)
Proceeds from Sale of Capital Assets	-	-	15,316
Taxes Levied for Debt Service	-	105,944	-
Grant Proceeds	18,533,603	-	-
Proceeds from Sale of Bonds	475,705	-	-
Principal Paid on Revenue Bonds/Notes Payable	(2,085,000)	(450,000)	-
Interest Expense and Fiscal Charges	(458,861)	(38,588)	-
Net Cash Used by Capital and Related Financing Activities	<u>728,058</u>	<u>(785,424)</u>	<u>(4,511,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investment Securities	(1,200,000)	-	285,886
Proceeds from Sale of Investment Securities	-	-	(2,750,000)
Interest on Investments	848,780	236,434	491,000
Net Cash Provided by (Used for) Investing Activities	<u>(351,220)</u>	<u>236,434</u>	<u>(1,973,114)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>793,479</u>	<u>342,983</u>	<u>(962,841)</u>
Cash and Cash Equivalents - Beginning of Year	4,445,594	1,660,588	6,156,390
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 5,239,073</u>	<u>\$ 2,003,571</u>	<u>\$ 5,193,549</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 1,961,748	\$ 687,465	\$ 3,536,291
Adjustments			
Depreciation Expense	1,067,394	380,551	2,416,175
(Increase) Decrease in Assets and Deferred Outflows of Resources			
Accounts Receivable	26,858	-	(276,565)
Accrued Utility Revenues	-	-	93,597
Due from Other Funds	-	(7,000)	-
Due from Component Units	-	-	-
Assessments Receivable	1,895	-	-
Inventories at Cost	-	-	309,704
Other Current Assets	495,354	-	(192,005)
Deferred Outflows of Resources - Pension Related	55,989	8,141	302,908
Deferred Outflows of Resources - OPEB Related	2,121	-	1,489
Increase (Decrease) in Liabilities and Deferred Inflows of Resources			
Accounts Payable and Accrued Expenses	(2,498,661)	(20,204)	(175,738)
Unearned Revenue	-	-	14,887
Compensated Absences	4,048	8,357	-
Other Postemployment Benefits Liability	6,996	-	(383)
Net Pension Liability	(142,086)	(22,673)	(745,014)
Deferred Inflows of Resources - Pension Related	67,829	5,306	243,569
Deferred Inflows of Resources - OPEB Related	(7,084)	-	(6,921)
Total Adjustments	<u>(919,347)</u>	<u>352,478</u>	<u>1,985,703</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,042,401</u>	<u>\$ 1,039,943</u>	<u>\$ 5,521,994</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Amortization of Gain on Refunding	\$ -	\$ (1,773)	\$ -
Amortization of Bond Premium	-	-	-
Book Value of Disposed/Traded Capital Assets	-	-	5,484
Change in Fair Value of Investments	-	-	42,866
Capital Contributions	-	-	-
Retainage/Assets Purchased on Account with Contracts Payable	703,371	-	58,566

See accompanying Notes to Basic Financial Statements.

**CITY OF OWATONNA, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Gas Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 4,814,287	\$ 15,458,362	\$ 73,840,259	\$ 4,057,041
Cash Payments to Suppliers for Goods Services	(3,493,158)	(15,084,338)	(64,085,786)	(3,028,385)
Cash Payments to Employees for Services	(211,506)	(941,211)	(3,135,401)	-
Other Cash Receipts	372,605	331,247	2,231,554	-
Net Cash Provided by (Used for) Operating Activities	1,482,228	(235,940)	8,850,626	1,028,656
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to Other Funds	-	-	(773,730)	-
Lease Receipts	221,219	-	221,219	-
Net Cash Provided (Used) by Noncapital Financing Activities	221,219	-	(552,511)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(1,502,030)	(1,793,380)	(23,962,616)	(1,766,072)
Proceeds from Sale of Capital Assets	1,122	1,683	18,121	198,355
Taxes Levied for Debt Service	-	-	105,944	-
Grant Proceeds	-	-	18,533,603	-
Proceeds from Sale of Bonds	-	-	475,705	-
Principal Paid on Revenue Bonds/Notes Payable	-	-	(2,535,000)	-
Interest Expense and Fiscal Charges	-	-	(497,449)	-
Net Cash Used by Capital and Related Financing Activities	(1,500,908)	(1,791,697)	(7,861,692)	(1,567,717)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Investment Securities	123,213	312,776	(478,125)	-
Proceeds from Sale of Investment Securities	(1,749,000)	(3,989,000)	(8,488,000)	-
Interest on Investments	498,000	1,931,000	4,005,214	-
Net Cash Provided by (Used for) Investing Activities	(1,127,787)	(1,745,224)	(4,960,911)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(925,248)	(3,772,861)	(4,524,488)	(539,061)
Cash and Cash Equivalents - Beginning of Year	3,826,479	5,635,605	21,724,656	1,209,436
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,901,231</u>	<u>\$ 1,862,744</u>	<u>\$ 17,200,168</u>	<u>\$ 670,375</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 764,369	\$ 333,905	\$ 7,283,778	\$ 376,200
Adjustments				
Depreciation Expense	655,296	770,812	5,290,228	877,813
(Increase) Decrease in Assets and Deferred Outflows of Resources				
Accounts Receivable	11,764	(660,512)	(898,455)	(29)
Accrued Utility Revenues	793	(288,765)	(194,375)	-
Due from Other Funds	-	-	(7,000)	-
Due from Component Units	-	-	-	-
Assessments Receivable	-	-	1,895	-
Inventories at Cost	(7,050)	(37,102)	265,552	-
Other Current Assets	(18,752)	(44,971)	239,626	59,075
Deferred Outflows of Resources - Pension Related	131,250	180,884	679,172	-
Deferred Outflows of Resources - OPEB Related	728	1,092	5,430	-
Increase (Decrease) in Liabilities and Deferred Inflows of Resources				
Accounts Payable and Accrued Expenses	94,173	178,819	(2,421,611)	(284,403)
Unearned Revenue	70,505	(365,303)	(279,911)	-
Compensated Absences	-	-	12,405	-
Other Postemployment Benefits Liability	(188)	(281)	6,144	-
Net Pension Liability	(322,814)	(444,890)	(1,677,477)	-
Deferred Inflows of Resources - Pension Related	105,539	145,450	567,693	-
Deferred Inflows of Resources - OPEB Related	(3,385)	(5,078)	(22,468)	-
Total Adjustments	717,859	(569,845)	1,566,848	652,456
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,482,228</u>	<u>\$ (235,940)</u>	<u>\$ 8,850,626</u>	<u>\$ 1,028,656</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Amortization of Gain on Refunding	\$ -	-	\$ (1,773)	\$ -
Amortization of Bond Premium	-	-	-	-
Book Value of Disposed/Traded Capital Assets	-	1,683	7,167	-
Change in Fair Value of Investments	25,500	58,009	126,375	-
Capital Contributions	-	-	-	-
Retainage/Assets Purchased on Account with Contracts Payable	48,825	110,467	921,229	-

See accompanying Notes to Basic Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's policies are described below.

**A. Financial Reporting Entity**

The City of Owatonna (the City) operates under a Home Rule Charter form of government allowed by Minnesota statutes. The City is governed by an elected Mayor and seven-member Council. The Council exercises legislative authority and determines all matter of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

**Individual Component Unit Disclosures**

Discretely Presented Component Units – The Owatonna Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) serve all the citizens of the City and are governed by City appointed boards.

The HRA was created by the City to carry out certain redevelopment projects. The five-member board is appointed by the Council. The Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. Debt issued for HRA activities are City general obligations. The HRA consists of two separate operations: general operations and housing programs. Separately issued financial statements as of December 31 are available upon request from the Executive Director of the HRA at 540 West Hills Circle, Owatonna, MN.

The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of three Council members and four other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA has a December 31 year end. Separate financial statements are not issued.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. 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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. Internal service fund activity is eliminated to avoid “doubling up” of revenues and expenses.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible with 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 after year end. Expenditures are recorded when the related fund liability is incurred. 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, franchise taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the City. All general 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 when the resources are required to be used or the year when use is first permitted, matching 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.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The City reports the following major governmental funds:

*General fund*

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

*Debt service fund*

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects fund*

This fund accounts for the financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

*ARPA fund*

This fund accounts for the financial resources received by the American Rescue Plan Act of 2022.

The City reports the following major proprietary funds:

*Sewer fund*

This accounts for the operating, maintenance, and capital improvement of the City's sewer utility.

*Storm water fund*

This accounts for the operating, maintenance, and capital improvement of the City's storm water utility.

*Electric fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned electric utility in the City.

*Water fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned water utility in the City.

*Gas fund*

This accounts for the operating, maintenance, and capital improvement of the municipally owned gas utility in the City.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Additionally, the City reports the following fund types:

Internal service funds account for services and/or commodities provided to other departments of the City on a cost reimbursement basis. The City has two internal service funds. One fund accounts for payroll and risk management activities for workers compensation insurance, the activities of the group health plan, and property and liability insurance. The other fund accounts for the cost of purchasing vehicles.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Public Utilities function 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 and expenses of the City's enterprise funds and internal service funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash balances from all funds are pooled and invested to the extent available in investments authorized by Minnesota State Statute and as further authorized by the Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

The City's investment policy states funds are to be invested to the maximum extent possible at the highest rates obtainable after considering safety, liquidity, yield and risk factors.

Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost. Broker money market funds operate in accordance with appropriate state laws and regulations.

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

**2. Property Tax Receivables**

The City levies its property tax for the subsequent year in December. This levy is certified to Steele County as they are the collection agency for taxes within the County. Taxes are recognized as receivables in the current year when the City is notified by the County of the amounts. They become a lien against the property on the date of levy. Taxes are due and payable at the County on May 15 and October 15, and collections are remitted to the City in July and December. Adjustments are made to delinquent taxes based on the records of the County Auditor.

Delinquent taxes represent unpaid taxes for the past nine years. Delinquent taxes have been offset by an unavailable revenue for delinquent taxes not received within 60 days after year end in the fund financial statements.

**3. Special Assessments**

Special assessments are certified to Steele County for collection annually. Noncertified assessments represent assessments to be certified annually in the future. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by an unavailable revenue in fund financial statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as “advances to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**5. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements. These costs are recognized during the period benefitted by the repayment using the consumption method.

**6. Restricted Assets**

Restricted assets consist of cash and temporary investments restricted for specific purposes by agreements.

**7. Land Held for Resale**

The City has acquired property as part of its redevelopment activities within the Housing and Redevelopment Authority and the Economic Development Authority. Additionally, the Gas utility holds land which is available for resale.

**8. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. The City reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**8. Capital Assets (Continued)**

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). The cost of infrastructure acquired prior to implementation of GASB 34 is included at estimated historical costs based on the current replacement cost of a similar asset and deflated through the use of price-level indexes.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings	20-50
Improvements Other Than Buildings	15-50
Equipment and Vehicles	3-20
Infrastructure	20-50

Capital assets not being depreciated consist of land and construction in progress.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**8. Capital Assets (Continued)**

Electric and Gas Utility Plant is recorded at original cost. Water Utility Plant is recorded at cost less funds provided from municipal special assessments. When units of property are sold, retired or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense. Contributions in aid of construction are reported as contributed capital on the statement of revenues, expenses, and changes in net position. Contributions are considered in the Utilities' ratemaking process.

Depreciation is computed using the straight-line method which expenses the cost of the plant over its estimated useful life. The utilities depreciate on a composite basis.

The City changed their depreciation estimate that no longer automatically takes a half year of depreciation, but rather depreciates based on the month the asset was added.

**9. Credit Risk**

As of December 31, 2024 the enterprise funds had no significant concentration of credit risk with respect to consumer accounts receivable due to the large number of customers and their dispersion across many different residential and industrial customers.

During the year ended December 31, 2024, approximately 19.13% of the total Electric Utility Commodity revenue was accounted from Viracon, Inc. During the year ended December 31, 2024, approximately 7.56% of the Water Utility Commodity revenue was accounted from Lakeside Foods. During the year ended December 31, 2024, approximately 9.21% if the Gas Utility Commodity revenue was accounted from Bushel Boy Farms.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**10. Deferred Inflows of Resources**

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; property taxes, special assessments, and a long-term receivable. These amounts are recognized as an inflow of resources in the period that the amounts become available. The City reports a deferred inflow for a gain on a bond refunding which will be amortized of the life of the bonds. Pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. Other postemployment benefits (OPEB) deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. Lease receivable deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years.

**11. Pension**

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

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Owatonna Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Owatonna Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**12. Other Postemployment Benefits**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the City's retiree benefits plan (the Plan) and additions to/deductions from the Plan's net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes payments when due and payable in accordance with the benefit terms.

**13. Deferred Outflows of Resources**

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a consumption of net assets that applies to future periods. The City will not recognize the related outflow until a future event occurs. Pension related deferred outflows and OPEB related deferred outflows are recorded in the current year, but the expenses will be recorded in subsequent years.

**14. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and paid time off (PTO). Vacation and PTO are paid upon separation. Sick leave is only payable at 50% and only upon retirement. The liability for compensated absences reported in the government-wide and proprietary fund statements consist of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

All vacation, PTO and the portion of sick pay allowable at retirement is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends. There is an assigned fund balance for the entire amount of these compensated absences in the general fund. The liability is only recorded in the governmental activities, business-type activities and proprietary funds.

**15. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**15. Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums 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.

**16. Fund Balance/Net Position**

The City of Owatonna reports the following categories of fund balance:

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form (i.e. inventories, prepaids and advances to other funds).
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, laws, or regulations, or other governments.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator as permitted by policy.
- Unassigned Fund Balance – these are residual amounts in the General Fund, not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

The City's fund balance policy provides that the City maintain a minimum general fund balance of 50% of budgeted operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first and then unrestricted. The order of use for unrestricted fund balance shall be committed, assigned, and then unassigned.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)**

**16. Fund Balance/Net Position (Continued)**

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of all other items that do not meet the definitions of “restricted” or “net investment in capital assets”

**17. Use of Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**E. Adoption of New Accounting Standards**

In June 2022, the Governmental Accounting Standards Board (GASB) Issued GASB statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the City. Only the General Fund’s budget is considered an “annually legally adopted budget”. The remaining funds’ budgets are used as a management tool. The debt service funds are budgeted according to the terms of the original bond issues. Project-length financial plans are adopted for all capital projects funds. Any modification in the adopted budget can be made upon request of and approval by the City Council. Appropriations in all funds lapse at the end of the year. There were no amendments made to the adopted budget in 2024.

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

In July of each year, all departments of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared for the General Fund by department and cost center and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review prior to September 30. The City Council holds public hearings. A final budget is adopted by December 28 of each year.

**B. Deficit Fund Balance**

At year-end 2024, there were two funds that carried deficit fund balances. These funds were tax increment financing funds that were funded by the City through interfund loans. These deficit fund balances will be reduced and eliminated over time as increment from the levies are used to retire the various loans.

The following funds carried deficit fund balances at the end of 2024 in the amounts indicated:

TIF 3-14 Bosch Economic Development Fund	\$	235,007
TIF 14-1 Eastgate Redevelopment Fund		472,017

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Earnings from such investments are allocated to the respective funds on the basis of applicable balance participation by each fund. The primary government and component units' cash and investments are pooled.

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it in full. In accordance with Minnesota Statutes and as authorized by the City Council, the City of Owatonna maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

***Deposits (Continued)***

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. Authorized collateral includes U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118A.03. Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

The City's deposits in banks at December 31, 2024 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

***Investments***

The City may also invest idle funds as authorized investments by Minnesota Statutes as follows:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Repurchase or reverse repurchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- h. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, and with a credit quality in one of the top two rating highest categories.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

***Investments (Continued)***

The City's investments, including its component units as of December 31, 2024 are as follows:

Type of Investment	Credit Quality Rating	Total Amount	Investment Maturity in Years			
			< 1 Year	1-5 Years	6-10 Years	> 10 Years
U.S. Government Agencies	AAA	\$ 21,081,036	\$ 2,998,050	\$ 16,706,851	\$ 914,250	\$ 461,885
U.S. Government Agencies	Not Rated	14,890,131	13,009,504	1,877,188	3,439	-
Municipal Bonds	AAA	1,883,492	-	1,883,492	-	-
Municipal Bonds	Not Rated	341,663	341,663	-	-	-
4M Fund Liquid Asset Fund	N/A	16,827,146	16,827,146	-	-	-
4M Fund PLUS Fund	N/A	3,464,452	3,464,452	-	-	-
Negotiable CDs	N/A	7,002,862	4,081,817	2,921,045	-	-
Total		<u>\$ 65,490,782</u>	<u>\$ 40,722,632</u>	<u>\$ 23,388,576</u>	<u>\$ 917,689</u>	<u>\$ 461,885</u>

Reconciliation of deposits and investments to Statement of Net Position:

	Primary Government	Economic Development Agency	Housing and Redevelopment Authority	Total Reporting Entity
Cash on Hand	\$ 5,955	\$ -	\$ -	\$ 5,955
Deposits	29,405,421	837,744	650,075	30,893,240
Investments	61,822,883	1,200,000	-	63,022,883
Total Deposits and Investments	<u>\$ 91,234,259</u>	<u>\$ 2,037,744</u>	<u>\$ 650,075</u>	<u>\$ 93,922,078</u>
Per Statement of Net Position:				
Cash and Cash Equivalents	\$ 29,411,376	\$ 837,744	\$ 605,064	\$ 30,854,184
Investments	61,822,883	1,200,000	-	63,022,883
Restricted Cash and Cash Equivalents	-	-	45,011	45,011
Total Cash and Investments	<u>\$ 91,234,259</u>	<u>\$ 2,037,744</u>	<u>\$ 650,075</u>	<u>\$ 93,922,078</u>

*Interest rate risk.* The City's investment policy requires minimizing interest rate risk by structuring the investment portion so securities mature to meet cash requirements for ongoing operations. Within these parameters, it is the City's practice to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses related to rising interest rates.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

***Investments (Continued)***

*Credit risk.* The City's investment policy limits the level of investments allowed in each category of credit risk. Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. U.S. Treasury Obligations are not considered to have credit risk. U.S. Government Agencies which are rated all carry a AAA credit rating. The U.S. Government Agencies which are unrated are comprised of "stripped" securities for which the underlying agency notes are all AAA rated. The underlying agency's rating is considered to pass through to the "stripped" bond. The Local Government Obligations carry an A credit rating.

*Concentration risk.* The City does not have a formal policy limiting the amount of the portfolio that may be invested in any one depository or issuer. The following investments represent at least 5% of the City's investment portfolio: Federal Home Loan Bank and Freddie Mac.

*Fair Value Measurements.* The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three- level fair value hierarchy. The fair value hierarch gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs use to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

***Investments (Continued)***

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets of the City measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
U.S. Governmental Agencies	\$ -	\$ 35,971,167	\$ -	\$ 35,971,167
Local Government Obligations	-	2,225,155	-	2,225,155
Negotiable CDs	-	7,002,862	-	7,002,862
Total Investments by Fair Value Level	\$ -	\$ 45,199,184	\$ -	45,199,184
4M Fund Liquid Asset Fund				16,827,146
4M Fund PLUS Fund				3,464,452
Total Investments				\$ 65,490,782

The City’s investment with the 4M Funds are regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Funds are an unrated external investment pool and the fair value of the position in the pool is the same as the value of the shares. The pools are valued at amortized cost. There are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

**2. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major accounts receivable balances for the governmental activities include franchise fees and miscellaneous charges. Business-type activities report utility earnings as their major accounts receivable.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Receivables (Continued)**

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the three components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (general fund) of \$55,796; special assessments receivable not yet available (debt service fund and capital projects fund) of \$1,933,070; and a development receivable not yet available (capital projects fund) of \$636,431.

**3. Loans Receivables**

The Capital Projects Fund has entered into various development agreements with local businesses to finance public improvements. The balance of these loans at December 31, 2024 was \$636,431 and is offset by an unavailable revenue. These loans mature in 9-25 years.

**Discretely Presented Component Unit**

The EDA Loan Fund has made loans to local businesses with various terms and interest rates for repayment. The balance of these loans at December 31, 2024 was \$53,782 which consists of loans maturing in three to six years with interest ranging from 0 to 2.5%. These notes are secured by property, equipment and personal guarantees.

The EDA Loan Fund has made 33 loans to local businesses with certain conditions attached which would then make the loans forgivable. These loans are not considered receivable and are not included in the loans receivable balance at December 31, 2024. The balance of these forgivable loans was \$223,856 at December 31, 2024.

The EDA Land Fund has entered into various development agreements with local businesses to finance the sale of property to the developer. The balance of these loans at December 31, 2024 was \$1,742,498 which consists of loans maturing in 19 to 25 years all with interest rates of 3%.

The HRA works with local community housing agencies to provide emergency fix-up deferred loans for home improvements that resolve code emergency deficiencies, energy efficiency, or improve accessibility. The maximum amount of each loan is \$5,000. They are deferred until the property is sold or transferred. The balance of these notes at December 31, 2024 is \$6,170.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Long-Term Lease Receivables**

**Governmental Leases**

The City, acting as lessor, leases space for nonprofit organizations within City hall under long-term, noncancelable lease agreements. The City also, acting as lessor, leases lots and land for business operations and storage under long-term, noncancelable lease agreements related to the airport. These leases expire between 2025 and 2055 and carry interest rates between .2380% and 3.2070%. During the year ended December 31, 2024, the City recognized \$124,947 and \$2,033 in lease revenue and interest revenue, respectively, pursuant to the contracts.

Annual lease revenues for governmental activities are as follows:

<u>Year</u>	Governmental Activities		
	Principal	Interest	Total
2025	\$ 10,771	\$ 1,236	\$ 12,007
2026	4,775	1,118	5,893
2027	4,848	1,045	5,893
2028	4,710	1,429	6,139
2029	4,149	902	5,051
2030-2034	23,510	3,921	27,431
2035-2039	23,544	1,713	25,257
2040-2042	5,254	204	5,458
Total	\$ 81,561	\$ 11,568	\$ 93,129

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Long-Term Lease Receivables (Continued)**

**Business-Type Leases**

Owatonna Public Utilities (electric, water and gas) leases various tower sites to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2044, however, the City anticipates new or revised leasing arrangements to occur in the future.

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

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Ending Balance
ATT 14th St Tower Antenna	12/01/12	0.65	\$ 29,909	\$ 61,214
Owatonna Bus Company	04/01/22	2.29	8,034	16,732
T-Mobile Academy St Tower Antenna	01/01/20	1.59	31,389	572,129
T-Mobile 14th St Tower Antenna	06/01/23	4.30	34,778	569,275
T-Mobile 26th St Tower Antenna	12/01/05	0.40	19,032	595,923
Verizon 14th St Tower Antenna	01/01/21	1.06	47,610	309,535
Verizon Fairgrounds Tower Antenna	06/26/18	1.67	32,044	630,577
Zayo 14th St Lease	12/01/10	1.59	2,420	38,693
Zayo 26th St Lease	12/01/10	1.59	2,420	91,104
Zayo Academy St	12/01/10	1.59	2,420	38,694
Total				<u>\$ 2,923,876</u>

Annual lease revenues for business type activities are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 159,188	\$ 77,422	\$ 236,610
2026	171,519	74,697	246,216
2027	139,918	71,806	211,724
2028	147,013	69,003	216,016
2029	154,446	65,987	220,433
2030-2034	678,263	279,760	958,023
2035-2039	926,679	176,698	1,103,377
2040-2043	546,850	42,972	589,822
Total	<u>\$ 2,923,876</u>	<u>\$ 858,345</u>	<u>\$ 3,782,221</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,102,148	\$ 1,513,158	\$ -	\$ 10,615,306
Construction-in-Progress	2,493,173	6,565,105	1,396,678	7,661,600
Total Capital Assets, Not Being Depreciated	<u>11,595,321</u>	<u>8,078,263</u>	<u>1,396,678</u>	<u>18,276,906</u>
Capital Assets, Being Depreciated:				
Buildings	30,213,570	54,422	-	30,267,992
Improvements Other Than Buildings	1,742,713	332,438	-	2,075,151
Equipment	19,487,361	2,626,769	1,045,177	21,068,953
Infrastructure	134,020,030	1,057,216	-	135,077,246
Total Capital Assets, Being Depreciated	<u>185,463,674</u>	<u>4,070,845</u>	<u>1,045,177</u>	<u>188,489,342</u>
Less Accumulated Depreciation for				
Buildings	(14,535,918)	(745,266)	-	(15,281,184)
Improvements Other Than Buildings	(702,175)	(99,265)	-	(801,440)
Equipment	(11,618,209)	(1,241,351)	(959,305)	(11,900,255)
Infrastructure	(65,236,596)	(3,229,697)	-	(68,466,293)
Total Accumulated Depreciation	<u>(92,092,898)</u>	<u>(5,315,579)</u>	<u>(959,305)</u>	<u>(96,449,172)</u>
Total Capital Assets, Being Depreciated, Net	93,370,776	(1,244,734)	85,872	92,040,170
SBITA Assets:				
SBITA	717,310	-	-	717,310
Less Accumulated Amortization:				
SBITA	(200,559)	(214,099)	-	(414,658)
Total SBITA	<u>516,751</u>	<u>(214,099)</u>	<u>-</u>	<u>302,652</u>
Arrangement Assets, Net	<u>516,751</u>	<u>(214,099)</u>	<u>-</u>	<u>302,652</u>
Governmental Activities Capital Assets, Net	<u>\$ 105,482,848</u>	<u>\$ 6,619,430</u>	<u>\$ 1,482,550</u>	<u>\$ 110,619,728</u>

Depreciation and amortization expense for governmental activities is charged to functions as follows:

Governmental Activities:	
General Government	\$ 248,256
Public Safety	216,072
Public Works	3,604,560
Culture and Recreation	582,977
Internal Service Funds	877,813
Total Depreciation/Amortization	<u>5,529,678</u>
Expense - Governmental Activities	<u>\$ 5,529,678</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Capital Assets (Continued)**

Capital asset activity for business-type activities for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,575,756	\$ 818,274	\$ -	\$ 7,394,030
Construction in Progress	44,832,516	23,172,753	4,858,865	63,146,404
Total Capital Assets not Depreciated	<u>51,408,272</u>	<u>23,991,027</u>	<u>4,858,865</u>	<u>70,540,434</u>
Capital Assets, Being Depreciated:				
Buildings	47,746,687	28,144	17,535	47,757,296
Equipment	18,228,068	1,322,177	129,434	19,420,811
Infrastructure	130,777,102	3,847,643	613,623	134,011,122
Total Capital Assets being Depreciated	<u>196,751,857</u>	<u>5,197,964</u>	<u>760,592</u>	<u>201,189,229</u>
Less Accumulated Depreciation for:				
Buildings	(19,268,762)	(979,079)	(12,050)	(20,235,791)
Equipment	(13,053,176)	(791,599)	(129,434)	(13,715,341)
Infrastructure	(52,246,768)	(3,519,550)	(613,623)	(55,152,695)
Total Accumulated Depreciation	<u>(84,568,706)</u>	<u>(5,290,228)</u>	<u>(755,107)</u>	<u>(89,103,827)</u>
Total Capital Assets, Being Depreciated, Net	<u>112,183,151</u>	<u>(92,264)</u>	<u>5,485</u>	<u>112,085,402</u>
Business-Type Activities Capital Assets, Net	<u>\$ 163,591,423</u>	<u>\$ 23,898,763</u>	<u>\$ 4,864,350</u>	<u>\$ 182,625,836</u>

Depreciation expense for business-type activities is charged to functions as follows:

Business-Type Activities:

Sewer	\$ 1,067,394
Storm Water	380,551
Electric	2,416,175
Water	655,296
Gas	<u>770,812</u>
Total Depreciation Expense	<u>5,290,228</u>
- Business-Type Activities	<u>\$ 5,290,228</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**5. Capital Assets (Continued)**

**Discretely Presented Component Units**

Capital asset activity for the component units was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Economic Development Agency</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 508,251	\$ -	\$ -	\$ 508,251
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Housing and Redevelopment Authority</b>				
Capital Assets, Being Depreciated:				
Buildings	\$ 52,000	\$ -	\$ -	\$ 52,000
Less Accumulated Depreciation For:				
Buildings	(21,396)	(1,040)	-	(22,436)
Total Capital Assets, Being Depreciated, Net	\$ 30,604	\$ (1,040)	\$ -	\$ 29,564

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

Housing & Economic Development	<u>\$ (1,040)</u>
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**6. Interfund Balances and Transfers**

The composition of interfund balances as of December 31, 2024 is as follows:

*Due to/from other funds*

Several funds have made short-term loans to other funds through normal day-to-day operations. Items such as utility infrastructure associated with street projects, sewer billing and collections performed by another utility fund, and centralized fuel purchases are examples of why these occur. These loans are planned to be eliminated in the subsequent year.

Due From	Due To				Total
	General Fund	ARPA Fund	Sewer Fund	Storm Water Fund	
Electric Fund	\$ 3,272	\$ 58,566	\$ 486,693	\$ 117,000	\$ 665,531
Total	<u>\$ 3,272</u>	<u>\$ 58,566</u>	<u>\$ 486,693</u>	<u>\$ 117,000</u>	<u>\$ 665,531</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**6. Interfund Balances and Transfers (Continued)**

*Advance to/from other funds*

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, or cash flow purposes. Long-term interfund loans are classified as “advances to/from other funds”.

<u>Advance From</u>	Advance To		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Capital Projects Fund	\$ 121,136	\$ -	\$ 121,136
Nonmajor Governmental Funds	-	707,024	707,024
Total	\$ 121,136	\$ 707,024	\$ 828,160

*Due to/from primary government and component units*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government - ISF	Component Unit - EDA	\$ 1,848
Total		\$ 1,848

*Interfund transfers*

<u>Transfer In</u>	Transfer Out			<u>Total</u>
	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	
General Fund	\$ -	\$ 625,760	\$ 82,940	\$ 708,700
Capital Projects Fund	200,000	-	-	200,000
ARPA Fund	-	-	65,030	65,030
Total	\$ 200,000	\$ 625,760	\$ 147,970	\$ 973,730

Throughout the course of the year, the City has to make occasional interfund transfers. The City annually transfers funds from its enterprise operations to its general fund to compensate for the cost of administration. The Storm Water Fund transferred funds to the ARPA fund for a joint project.

Capital contributions from the governmental activities to the business-type activities are reported as transfers on the statement of activities.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt**

**General Obligation Bonds**

General obligation bonds are issued to provide for the acquisition of major capital equipment. These bonds are direct obligations and are backed by the full faith and credit of the City. Five general obligation bonds with an original issue amount of \$8,925,000 are currently outstanding as follows:

	Maturity Dates	Range of Interest Rates	Amount Outstanding
G.O. Equipment Certificates Series 2017A	2025-2025	3.00%	\$ 25,000
G.O. Street Reconstruction Series 2018A	2025-2029	3.00-5.00%	2,660,000
G.O. Street Reconstruction Series 2020A	2025-2031	2.00-4.00%	1,125,000
G.O. Street Reconstruction Series 2021A	2025-2032	1.00-4.00%	2,675,000
G.O. Street Reconstruction Series 2023B	2025-2034	5.00%	2,440,000
Total			<u>\$ 8,925,000</u>

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 1,130,000	\$ 310,135	\$ 1,440,135
2026	1,190,000	256,910	1,446,910
2027	1,240,000	206,235	1,446,235
2028	1,270,000	159,210	1,429,210
2029	1,315,000	110,735	1,425,735
2030-2034	2,780,000	199,750	2,979,750
Total	<u>\$ 8,925,000</u>	<u>\$ 1,242,975</u>	<u>\$ 10,167,975</u>

**General Obligation Improvement Bonds**

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**General Obligation Improvement Bonds (Continued)**

Five bond issues with a total original issue amount of \$8,530,000 are currently outstanding as follows:

	Maturity Dates	Range of Interest Rates	Amount Outstanding
G.O. Improvement Series 2015A	2025-2026	2.50-3.00%	\$ 280,000
G.O. Improvement Series 2016A	2025-2027	2.00-3.00%	340,000
G.O. Improvement Series 2017A	2025-2028	2.00-3.00%	770,000
G.O. Improvement Series 2019A	2025-2030	4.00-5.00%	1,215,000
G.O. Improvement Series 2024A	2026-2035	4.00-5.00%	1,690,000
Total			<u>\$ 4,295,000</u>

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
<u>2025</u>	\$ 625,000	\$ 165,983	\$ 790,983
2026	775,000	137,444	912,444
2027	650,000	111,844	761,844
2028	550,000	89,297	639,297
2029	370,000	70,175	440,175
2030-2034	1,120,000	161,900	1,281,900
2035	205,000	4,100	209,100
Total	<u>\$ 4,295,000</u>	<u>\$ 740,743</u>	<u>\$ 5,035,743</u>

**G.O. Tax Abatement Bonds**

The City issued bonds for financing the renovation of Merrill Hall.

	Maturity Dates	Range of Interest Rates	Amount Outstanding
G.O. Tax Abatement Bonds Series 2024B	2026-2045	4.00-5.00%	<u>\$ 4,875,000</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**G.O. Tax Abatement Bonds (Continued)**

Annual debt service requirements to maturity for general obligation tax abatement bonds are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ -	\$ 226,018	\$ 226,018
2026	150,000	212,650	362,650
2027	160,000	204,900	364,900
2028	165,000	196,775	361,775
2029	175,000	188,275	363,275
2030-2034	1,010,000	798,250	1,808,250
2035-2039	1,290,000	523,450	1,813,450
2040-2044	1,570,000	233,000	1,803,000
2045	355,000	7,100	362,100
Total	<u>\$ 4,875,000</u>	<u>\$ 2,590,418</u>	<u>\$ 7,465,418</u>

**G.O. Revenue Bonds**

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service in addition to levying a tax. These bonds are recorded in the fund according to the purpose for which they were issued. The Storm Water Fund is currently carrying bonds payable for storm water improvements. These bonds had an original issue amount of \$4,360,000. The Series 2016A refunding bonds have a \$100,000 annual pledge of revenue. The second Series 2016A have a revenue pledge equal to 50% of the required debt service payment. These bonds are all backed by the full faith and credit of the City.

The City's outstanding notes from direct borrowings related to business-type activities in the sewer fund contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 105 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. There are two separate bonds that had original issue amounts of \$7,929,333 and \$35,000,000 respectively and are fully payable from the revenues of the sewer fund. The 2023 bonds have not been fully disbursed as of December 31, 2024. There is \$10,515,195 available to borrow under this bond agreement. If the full amount of the bond issue is not drawn upon, the repayment schedule will be re-amortized to provide proportionately reduced principal payments in each year.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**G.O. Revenue Bonds (Continued)**

The general obligation revenue bonds currently outstanding are as follows:

	Maturity Dates	Range of Interest Rates	Amount Outstanding
Direct Borrowing - MPFA Revenue Bonds Series 2023	2025-2042	1.915%	\$ 22,203,804
Revenue Bonds Series 2016A Total	2025-2032	2.000-3.000%	1,470,000
			<u>\$ 23,673,804</u>

Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year	Business-Type Activities				
	Bonded Debt		Notes from Direct Borrowings and Direct Placements		Totals
	Principal	Interest	Principal	Interest	
2025	\$ 170,000	\$ 29,288	\$ 2,121,928	\$ 434,949	\$ 2,756,165
2026	170,000	25,037	1,569,000	511,523	2,275,560
2027	180,000	21,538	1,599,000	567,032	2,367,570
2028	180,000	17,937	1,630,000	536,411	2,364,348
2029	190,000	14,238	1,661,000	505,196	2,370,434
2030-2034	580,000	18,081	8,794,000	2,036,507	11,428,588
2035-2039	-	-	5,410,804	773,569	6,184,373
Total	<u>\$ 1,470,000</u>	<u>\$ 126,119</u>	<u>\$ 22,785,732</u>	<u>\$ 5,365,187</u>	<u>\$ 29,747,038</u>

**Subscription-Based Information Technology Arrangements**

The City has entered into subscription-based information technology arrangements (SBITAs) various software used by the City. These subscriptions had an initial subscription liability of \$717,310, carrying interest rates between 2.66% and 2.89%. The SBITA arrangements expire at various dates through 2027.

OpenGov (ERP)	\$ 147,604
UKG (Payroll & Time Management)	123,433
DebtBook (Lease, Ssubscription, Debt)	12,177
Clear Proflex (Law Enforcement Case Mgmt)	10,531
Total	<u>\$ 293,745</u>

As of December 31, 2024, SBITA assets and the related accumulated amortization totaled \$717,310 and \$414,658, respectively.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**Subscription-Based Information Technology Arrangements (Continued)**

Future payments under SBITA agreements are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 222,111	\$ 7,407	\$ 229,518
2026	58,628	1,425	60,053
2027	13,006	100	13,106
Total	<u>\$ 293,745</u>	<u>\$ 8,932</u>	<u>\$ 302,677</u>

**Change in Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 9,850,000	\$ 1,690,000	\$ (925,000)	\$ 10,615,000	\$ 1,130,000
General Obligation Tax Increment Bonds	140,000	-	(140,000)	-	-
General Obligation Improvement Bonds	3,500,000	-	(895,000)	2,605,000	625,000
General Obligation Tax Abatement Bonds	-	4,875,000	-	4,875,000	-
Plus: Bond Premium	778,225	492,071	(197,105)	1,073,191	-
Total Bonds Payable	<u>14,268,225</u>	<u>7,057,071</u>	<u>(2,157,105)</u>	<u>19,168,191</u>	<u>1,755,000</u>
Subscriptions Payable	505,634	-	(211,889)	293,745	222,111
Accrued Compensated Absences	1,842,370	67,930	-	1,910,300	47,773
Governmental Activity Long-Term Liabilities	<u>\$ 16,616,229</u>	<u>\$ 7,125,001</u>	<u>\$ (2,368,994)</u>	<u>\$ 21,372,236</u>	<u>\$ 2,024,884</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
General Obligation Revenue Bonds	\$ 1,920,000	\$ -	\$ (450,000)	\$ 1,470,000	\$ 170,000
Notes from Direct Borrowings and Direct Placements	24,395,027	475,705	(2,085,000)	22,785,732	2,121,928
Plus: Bond Premium	40,727	-	(10,768)	29,959	-
Total Bonds Payable	<u>26,355,754</u>	<u>475,705</u>	<u>(2,545,768)</u>	<u>24,285,691</u>	<u>2,291,928</u>
Accrued Compensated Absences	1,645,039	47,660	-	1,692,699	259,316
Business-Type Activity Long-Term Liabilities	<u>\$ 28,000,793</u>	<u>\$ 523,365</u>	<u>\$ (2,545,768)</u>	<u>\$ 25,978,390</u>	<u>\$ 2,551,244</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

**Conduit Debt Obligations**

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2024, there were seven outstanding bond issues with an original issue amount of \$32,905,545 and a balance of \$25,028,703.

**2. Tax Abatements**

The City has several pay-as-you-go tax increment financing districts with local businesses to promote economic development, housing, and redevelopment within the City as authorized under Minnesota Statute 469.174. The City reaches agreements with the business related to land acquisition, public infrastructure and building improvements. The businesses complete their improvements which increase the tax base. The increment taxes are based on the increase of the property's value after the improvements are made. The school district and the county have also abated their portion of the tax increment following the improvements. The agreements call for 90-99% of the property tax increments collected to be paid to reimburse development costs less administrative fees. The City currently has twenty seven tax increment financing districts which includes ten economic development districts which end between December 31, 2025-December 31, 2032; one housing and redevelopment districts which ends December 31, 2042; and sixteen redevelopment districts which end between December 31, 2040-December 31, 2050. For the year ended December 31, 2024, the City paid tax increment in the amount of \$2,597,512. No other commitments were made by the City as part of these agreements.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for its risk management activities in an internal service fund. Revenue to this fund is derived from premium charges to user departments, employees, and other funds of the City. These charges are then available to pay claims, administrative costs and insurance premiums.

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

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, and has currently placed coverage with them for its general liability and personal property claims. Coverage is provided up to a maximum of \$1,000,000. This coverage has a \$100,000 annual deductible. The City levies funds annually to cover all claims against this deductible.

The City participates in the LMCIT for its workers compensation insurance which is administered by Berkley Administrators. This is a retrospectively rated policy with the premium being based primarily on the City's loss experience.

The LMCIT operates as a common risk management and insurance program for member cities. The LMCIT agreement provides that the LMCIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$1.2 million per occurrence for general liability and \$850,000 for workers compensation medical and hospitalization.

**B. Commitments and Contingent Liabilities**

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

Amounts received or receivable from grantor 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.

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$8,552,122 at December 31, 2024.

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

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Commitments and Contingent Liabilities (Continued)**

Power Sales Contract – Owatonna Public Utilities (electric, water and gas funds) is a member of the Southern Minnesota Municipal Power Agency (SMMPA). Under the terms of the power sales contract, Owatonna Public Utilities and the other members are committed to purchase 100% of their power requirements from SMMPA through the contract life. After which, Owatonna Public Utilities, and the other member cities, may elect to purchase their future power and energy requirements, from sources other than SMMPA. The contract expires April 2050 and the rates paid are subject to periodic review.

Capacity Purchase Agreement – On September 1, 1991, the Electric Utility entered into a Capacity Purchase Agreement with SMMPA. Under this agreement, the Utility has agreed to dedicate a gas fired electric generating facility owned by the Electric Utility for SMMPA's exclusive use. On December 27, 2017, the Electric Utility entered into a second amended and restated capacity purchase agreement with SMMPA. This agreement now states that SMMPA will manage the daily operations. Owatonna Public Utilities is now compensated based on the capacity of the unit, which involves lump-sum payments throughout the year. The contract remains in effect until the date five years after written notice of termination by either party or until retirement of the facility. On March 26, 2019, SMMPA notified Owatonna Public Utilities that they were going to make repairs to the unit. With that, Owatonna Public Utilities is foregoing the capacity payment form SMMPA until they have recovered the investment that was made to the unit. The cost recovery was completed in late 2023 and lump-sum capacity payments resumed.

Gas Service Agreement – Under its gas service agreement, the Gas Utility is committed to purchase its natural gas demand requirements from Northern Natural Gas Company until October 2027. The rates paid are in accordance with the Federal Energy Regulatory Commission.

Gas Purchase Commitment – The Gas Utility has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Gas Utility enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Gas Utility is committed to purchase 3,921,945 MMBTU of natural gas through December 2029 for a total commitment of \$19,753,308 at December 31, 2024.

**C. Tax Increment Districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

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

**NOTE 5 PENSION PLANS**

**A. Public Employees Retirement Association**

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

**1. General Employees Retirement Plan (General Plan)**

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

**2. Public Employees Police and Fire Plan**

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

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

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

**1. General Employees Plan Benefits**

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after 10 years. After five years, vesting increase by 10% each full year of service until members are 100% vested after 10 years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**2. Police and Fire Plan Benefits (Continued)**

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

**C. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**1. General Employees Plan Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Plan for the year ended December 31, 2024, were \$1,141,813. The City contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Plan Contributions**

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Plan for the year ended December 31, 2024, were \$808,281. The City contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2024, the City reported a liability of \$6,383,592 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$165,067 for a total net pension liability of \$6,548,659.

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1727% at the end of the measurement period and 0.1746% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$571,094 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,546 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 nonemployer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$165,067 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported their proportionate share of the General Employees Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 600,594	\$ -
Changes in Actuarial Assumptions	30,714	2,426,184
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,897,237
Changes in Proportion	164,698	71,872
City Contributions Subsequent to the Measurement Date	608,541	-
Total	<u>\$ 1,404,547</u>	<u>\$ 4,395,293</u>

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

The \$608,541 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (1,944,093)
2026	(367,856)
2027	(798,074)
2028	(489,264)

**2. Police and Fire Fund Pension Costs**

The City reported a liability of \$4,180,020 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.3177% at the end of the measurement period and 0.3234% for the beginning of the period.

The state of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$159,341 for a total net pension liability of \$4,339,361.

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

For the year ended December 31, 2024, the City recognized pension expense of \$749,774 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$62,642 as grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$90,224 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2024, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 1,628,990	\$ -
Changes in Actuarial Assumptions	4,594,926	6,155,188
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,359,137
Changes in Proportion	85,327	115,089
City Contributions Subsequent to the Measurement Date	428,820	-
Total	<u>\$ 6,738,063</u>	<u>\$ 7,629,414</u>

The \$428,820 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ (242,126)
2026	1,088,505
2027	(623,455)
2028	(1,638,322)
2029	95,227

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**3. Summary**

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

Description	General Employees Plan	Police and Fire Plan	Fire Relief Association	Total
Net Pension Asset	\$ -	\$ -	\$ 1,167,156	\$ 1,167,156
Net Pension Liability	6,383,592	4,180,020	-	10,563,612
Deferred Outflows of Resources	1,404,547	6,738,063	394,845	8,537,455
Deferred Inflows of Resources	4,395,293	7,629,414	112,613	12,137,320
Pension Expense	573,640	857,416	23,689	1,454,745

**E. Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

**F. Actuarial Methods and Assumptions**

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

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions (Continued)**

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

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

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

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

General Employees Fund

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The state contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**G. Discount Rate**

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

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

The following presents the City 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 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:

Description	One Percent Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	One Percent Increase in Discount Rate (8.00%)
City's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 13,942,794	\$ 6,383,592	\$ 165,460
City's Proportionate Share of the Police and Fire Fund Net Pension Liability	9,878,204	4,180,020	(499,381)
City's Proportionate Share of the Net Pension Liability		6,383,592	
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		165,067	
Total		<u>\$ 6,548,659</u>	

**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](http://www.mnpera.org).

**J. Allocation**

Below is the allocation of Deferred Outflows of Resources, Deferred Inflows of Resources, Net Pension Liability, and Pension Expense by opinion unit within the City:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability	Net Pension Asset	Pension Expense
Governmental Activities	\$ 7,857,817	\$ 9,913,013	\$ 7,366,226	\$ 1,167,156	\$ 1,014,424
Sewer Fund	72,491	217,098	318,621	-	43,878
Storm Water Fund	8,055	24,122	35,402	-	4,875
Electric Fund	311,019	988,190	1,585,091	-	218,287
Water Fund	125,269	420,915	578,087	-	79,610
Gas Fund	162,804	573,982	680,185	-	93,670

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

**NOTE 5 PENSION PLANS (CONTINUED)**

**K. Defined Contribution Plan**

Eight council members of the City of Owatonna are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The DCP is a tax qualified plan under Section 401(a) of the Internal Revenue code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary.

Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$ 5,070	\$ 5,070	5.0%	5.0%	5.0%

**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

Firefighters of the City of Owatonna are members of the Brainerd Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The Plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2023, membership includes 28 active participants and 5 inactive participant entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

**B. Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$13,850 for each year of active Fire Department service but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

**CITY OF OWATONNA, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
 (CONTINUED)**

**B. Benefits Provided (Continued)**

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with five years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$13,850 for each year the member was an active member of the Brainerd Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**C. Contributions**

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	Total Contribution Required	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$253,189 in fire state aid paid by the City to the Association for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan in excess of the fire state aid for the year ended December 31, 2024 was \$-0-.

**CITY OF OWATONNA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**D. Pension Costs**

At December 31, 2024, the City reported an asset of \$1,167,156 for the Association's net pension asset. The net pension asset was measured as of December 31, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$23,686 for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 182,784	\$ 61,539
Changes in Actuarial Assumptions	34,395	51,074
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	177,666	-
City Contributions Subsequent to the Measurement Date	-	-
Total	<u>\$ 394,845</u>	<u>\$ 112,613</u>

The amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ 21,545
2026	51,936
2027	106,562
2028	33,080
2029	12,688
Thereafter	56,421

**CITY OF OWATONNA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**E. Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

Valuation Date	12/31/2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line Closed

Actuarial Assumptions:

Discount Rate	6.50%
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	4.05%
Age of Service Retirement	50

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of
Domestic Equity	51.00 %	4.91	7.41 %
International Equity	15.00	5.32	7.82
Fixed Income	12.00	2.30	4.80
Real Estate	-	3.79	6.29
Cash Equivalents	22.00	0.77	3.27
<b>Total</b>	<b>100.00 %</b>		<b>6.64 %</b>
Reduced for Assumed Investment Expense			<b>(0.10)</b>
Net Assumed Investment Return (Rounded to 1/4%)			<b>6.54 %</b>

**CITY OF OWATONNA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**F. Discount Rate**

The discount rate used to measure the total pension asset was 6.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**G. Pension Asset Sensitivity**

The following presents the City of Owatonna’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.50%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Net Pension Liability (Asset)	\$ (1,051,336)	\$ (1,167,156)	\$ (1,275,531)

**CITY OF OWATONNA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 FIREFIGHTERS RELIEF ASSOCIATION DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**H. Plan's Fiduciary Net Position**

Information about the changes in the Plan's net pension asset is as follows:

<b>Total Pension Liability</b>	
Service Cost	\$ 141,114
Interest on the Total Pension Liability	124,661
Changes in Assumptions	-
Changes in Benefit Terms	-
Gain or Loss	-
Benefit Payments, Including Member Refunds	-
Net Change in Total Pension Liability	<u>265,775</u>
Total Pension Liability - Beginning of Year	<u>1,776,743</u>
Total Pension Liability - End of Year (a)	<u>2,042,518</u>
<b>Plan Fiduciary Net Position</b>	
Employer Contributions	-
Nonemployer Contributions	224,740
Net Investment Income	90,321
Gain or Loss	-
Benefit Payments, Including Member Refunds	-
Administrative Expenses	<u>(7,939)</u>
Net Change in Fiduciary Net Position	<u>307,122</u>
Fiduciary Net Position - Beginning of Year	<u>2,902,552</u>
Fiduciary Net Position - End of Year (b)	<u>3,209,674</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u><u>\$ (1,167,156)</u></u>

Detailed information about the pension plan's fiduciary net position is available in the audit report. That report may be obtained by calling Owatonna City Hall at 507-444-4300.

**CITY OF OWATONNA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The primary government includes amounts for the City and Owatonna Public Utilities (Electric Fund, Water Fund, and Gas Fund); however, the City and Owatonna Public Utilities had separate actuary reports for which the amounts were taken from.

**City Disclosures**

**Plan Description**

The City of Owatonna administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. There are 96 active participants, 36 actives waiving coverage, 6 retired participants. The healthcare plan does not issue a publicly available financial report.

**Funding Policy**

The City has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated. The eligibility for, amount of, duration of, and the City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For the plan year 2024, the City contributed \$40,085.

**Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of December 31, 2023, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2022. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

The total OPEB liability was determined by an actuarial valuation of as December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service Graded Table
Health Care Trend Rates	7.60% for FY 2023, gradually decreasing over several decades to an ultimate rate of 3.90% in FY 2075 and later

For general employees, mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. For police and fire, mortality rates were based on the Pub-2010 public safety mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The discount rate used to measure the total OPEB liability was 3.77%. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

**CITY OF OWATONNA, MINNESOTA  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**City Disclosures (Continued)**

**Actuarial Methods and Assumptions (Continued)**

Changes in the OPEB Liability

Balance December 31, 2023	\$ 693,974
Changes for the Year:	
Service Cost	110,423
Interest Cost	31,766
Assumption Changes	16,418
Differences between Expected and Actual	(1,951)
Benefit Payments	(40,085)
Net Change in Total OPEB Liability	<u>116,571</u>
Balance as December 31, 2024	<u>\$ 810,545</u>

The following presents the OPEB liability of the City, as well as what the OPEB liability would be if it were calculated using a discount rate one percentage lower or one percentage higher than the current discount rate:

<u>OPEB Liability</u>	<u>1% Decrease (2.77%)</u>	<u>Discount Rate (3.77%)</u>	<u>1% Increase (4.77%)</u>
\$	869,226	\$ 810,545	\$ 752,330

The following presents the OPEB liability of the City, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.6% decreasing to 2.9% over 5 years) or 1% higher (8.6% decreasing to 4.9% over 5 years) than the current healthcare cost trend rates:

<u>OPEB Liability</u>	<u>1% Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rate</u>
\$	691,385	\$ 810,545	\$ 955,177

For the year ended December 31, 2024, the City recognized OPEB expense of \$41,376.

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 14,775	\$ 355,001
Changes in Actuarial Assumptions	54,369	94,629
Payments of Benefits Subsequent to the Measurement Date	16,093	-
Total	<u>\$ 85,237</u>	<u>\$ 449,630</u>

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

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**City Disclosures (Continued)**

**Actuarial Methods and Assumptions (Continued)**

\$16,093 reported as deferred outflow of resources related to OPEB resulting from the City payments of benefits subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ (100,813)
2026	(96,456)
2027	(85,779)
2028	(21,678)
2029	(20,901)
Thereafter	(54,859)

**Owatonna Public Utility Disclosures**

**Plan Description**

Owatonna Public Utilities operates a single-employer retiree benefit plan (the Plan) that provides health, life and dental insurance to eligible employees and their families through the Utilities health insurance plan. There are 58 active participants, 1 retired participant, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the Utilities and various unions representing the Utilities' employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements are negotiated between the Utilities and union representatives. The eligibility for, amount of, duration of, and Utilities' contribution to the cost of the benefits provided varies by contract and date of retirement. The Utilities is funding this liability on a pay-as-you-go basis. For the plan year 2023, Owatonna Public Utilities contributed \$15,560 to the plan.

**Actuarial Methods and Assumptions**

Owatonna Public Utility's total OPEB liability was measured as of January 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2023. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

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

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Owatonna Public Utility Disclosures (Continued)**

**Actuarial Methods and Assumptions (Continued)**

The total OPEB liability was determined by an actuarial valuation of as January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Expected LT Investment Return	4.00%
Inflation	2.50%
Salary Increases	Service Graded Table
Health Care Trend Rates	6.25% as of January 1, 2024 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

The discount rate used to measure the total OPEB liability was 4.00%. Assets were projected using the expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcountweighted Mortality Tables with MP-2020 General Improvement Scale to the Pub-2010 Public Retirement General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2023 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

**Changes in Total OPEB Liability**

Balance December 31, 2023	\$ 152,962
Changes for the Year:	
Service Cost	11,800
Interest Cost	6,217
Assumption Changes	-
Differences between Expected and Actual	-
Benefit Payments	(18,869)
Net Change in Total OPEB Liability	<u>(852)</u>
Balance as December 31, 2024	<u>\$ 152,110</u>

Since the prior measurement date, there were no changes in benefits.

Since the prior measurement date, there were no changes in assumptions.

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

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Owatonna Public Utility Disclosures (Continued)**

**Total OPEB Liability Sensitivity**

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

<u>OPEB Liability</u>	<u>1% Decrease (3.00%)</u>	<u>Discount Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
Owatonna Public Utilities	\$ 161,099	\$ 152,110	\$ 143,537

The following presents the total OPEB liability of Owatonna Public Utilities, as well as what the Utility's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

<u>OPEB Liability</u>	<u>1% Decrease in Trend Rate</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rate</u>
Owatonna Public Utilities	\$ 138,080	\$ 152,110	\$ 168,436

For the year ended December 31, 2024, Owatonna Public Utility's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 30,733
Changes in Actuarial Assumptions	-	10,695
Payments of Benefits Subsequent to the Measurement Date	15,560	-
Total	<u>\$ 15,560</u>	<u>\$ 41,428</u>

\$15,560 reported as deferred outflow of resources related to OPEB resulting from the Utility's payments of benefits subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (13,538)
2026	(13,533)
2027	(7,179)
2028	(7,178)

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

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Owatonna Public Utility Disclosures (Continued)**

**Combined OPEB Liability**

<u>Plan</u>	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
City	\$ 810,545	\$ 85,237	\$ 449,630	\$ 23,686
Owatonna Public Utilities	152,110	15,560	41,428	12,071
Total	<u>\$ 962,655</u>	<u>\$ 100,797</u>	<u>\$ 491,058</u>	<u>\$ 35,757</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF OWATONNA, MINNESOTA  
OWATONNA FIREMAN'S RELIEF ASSOCIATION  
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS  
LAST TEN MEASUREMENT PERIODS**

	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021	Measurement Date December 31, 2020
Total Pension Liability				
Service Cost	\$ 141,114	\$ 154,970	\$ 98,704	\$ 79,789
Interest on the Total Pension Liability	124,661	107,621	88,014	100,866
Differences Between Expected and Actual Experience	-	211,700	-	(56,749)
Changes in Assumptions	-	(58,700)	-	21,869
Changes in Benefit Terms	-	210,977	704,322	62,864
Benefit Payments, Including Member Refunds	-	(977,062)	(264,000)	(485,026)
Net Change in Total Pension Liability	<u>265,775</u>	<u>(350,494)</u>	<u>627,040</u>	<u>(276,387)</u>
Total Pension Liability - Beginning of Year	<u>1,776,743</u>	<u>2,127,237</u>	<u>1,500,197</u>	<u>1,776,584</u>
Total Pension Liability - End of Year (a)	<u>2,042,518</u>	<u>1,776,743</u>	<u>2,127,237</u>	<u>1,500,197</u>
Plan Fiduciary Net Position				
State Contributions	224,740	201,506	192,743	182,734
Net Investment Income	90,321	(176,742)	432,685	351,109
Benefit Payments	-	(977,062)	(264,000)	(485,026)
Administrative Expenses	(7,939)	(6,830)	(6,775)	(6,630)
Net Change in Fiduciary Net Position	<u>307,122</u>	<u>(959,128)</u>	<u>354,653</u>	<u>42,187</u>
Fiduciary Net Position - Beginning of Year	<u>2,902,552</u>	<u>3,861,680</u>	<u>3,507,027</u>	<u>3,464,840</u>
Fiduciary Net Position - End of Year (b)	<u>3,209,674</u>	<u>2,902,552</u>	<u>3,861,680</u>	<u>3,507,027</u>
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	<u>\$ (1,167,156)</u>	<u>\$ (1,125,809)</u>	<u>\$ (1,734,443)</u>	<u>\$ (2,006,830)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	157.14%	163.36%	181.54%	233.77%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA**  
**OWATONNA FIREMAN'S RELIEF ASSOCIATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS (CONTINUED)**  
**LAST TEN MEASUREMENT PERIODS**

Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
\$ 74,059	\$ 64,491	\$ 61,804	\$ 66,200	\$ 53,176	\$ 51,753
120,472	143,064	137,411	140,109	130,326	135,178
-	12,562	-	(121,874)	-	-
-	28,310	(8,549)	20,753	19,092	-
116,163	105,546	62,880	107,406	61,077	-
(775,201)	(335,717)	(165,835)	(25,640)	-	(506,107)
<u>(464,507)</u>	<u>18,256</u>	<u>87,711</u>	<u>186,954</u>	<u>263,671</u>	<u>(319,176)</u>
<u>2,241,091</u>	<u>2,222,835</u>	<u>2,135,124</u>	<u>1,948,170</u>	<u>1,684,499</u>	<u>2,003,675</u>
<u>1,776,584</u>	<u>2,241,091</u>	<u>2,222,835</u>	<u>2,135,124</u>	<u>1,948,170</u>	<u>1,684,499</u>
172,284	168,599	164,842	164,223	169,227	154,878
595,639	(208,750)	528,546	200,390	9,916	260,890
(775,201)	(335,717)	(165,835)	(25,640)	-	(506,107)
(6,577)	(6,549)	(6,340)	(6,311)	(6,291)	(6,218)
<u>(13,855)</u>	<u>(382,417)</u>	<u>521,213</u>	<u>332,662</u>	<u>172,852</u>	<u>(96,557)</u>
<u>3,478,695</u>	<u>3,861,112</u>	<u>3,339,899</u>	<u>3,007,237</u>	<u>2,834,385</u>	<u>2,930,942</u>
<u>3,464,840</u>	<u>3,478,695</u>	<u>3,861,112</u>	<u>3,339,899</u>	<u>3,007,237</u>	<u>2,834,385</u>
<u>\$ (1,688,256)</u>	<u>\$ (1,237,604)</u>	<u>\$ (1,638,277)</u>	<u>\$ (1,204,775)</u>	<u>\$ (1,059,067)</u>	<u>\$ (1,149,886)</u>
195.03%	155.22%	173.70%	156.43%	154.36%	168.26%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND**  
**RELATED RATIOS**  
**LAST TEN MEASUREMENT PERIODS**

	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021
<b>Total OPEB Liability</b>			
Service Cost	\$ 110,423	\$ 133,517	\$ 126,615
Interest Cost	31,766	17,168	16,749
Assumption Changes	16,418	(109,189)	8,373
Differences between Expected and Actual	(1,951)	(122,742)	(1,810)
Benefit Payments	(40,085)	(48,649)	(73,745)
<b>Net Change in Total OPEB Liability</b>	<u>116,571</u>	<u>(129,895)</u>	<u>76,182</u>
Total OPEB Liability - Beginning	<u>693,974</u>	<u>823,869</u>	<u>747,687</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 810,545</u>	<u>\$ 693,974</u>	<u>\$ 823,869</u>
Covered-Employee Payroll	\$ 11,711,121	\$ 11,112,609	\$ 10,385,499
City's OPEB Liability as a Percentage of Covered-Employee Payroll	7%	6%	8%

**Owatonna Public Utilities (Electric Fund, Water Fund, and Gas Fund)**

	Measurement Date December 31, 2023	Measurement Date December 31, 2022	Measurement Date December 31, 2021
<b>Total OPEB Liability</b>			
Service Cost	\$ 11,800	\$ 11,456	\$ 14,720
Interest Cost	6,217	3,990	3,929
Assumption Changes	-	(13,692)	-
Differences between Expected and Actual	-	(29,381)	-
Benefit Payments	(18,869)	(14,835)	(9,865)
<b>Net Change in Total OPEB Liability</b>	<u>(852)</u>	<u>(42,462)</u>	<u>8,784</u>
Total OPEB Liability - Beginning	<u>152,962</u>	<u>195,424</u>	<u>186,640</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 152,110</u>	<u>\$ 152,962</u>	<u>\$ 195,424</u>
Covered-Employee Payroll	\$ 5,748,038	\$ 5,580,619	\$ 5,452,413
City's OPEB Liability as a Percentage of Covered-Employee Payroll	3%	3%	4%

Note 1: Information is presented prospectively, and an accumulation of 10 years will be provided when available.

Note 2: No assets are accumulated in a trust for payment of OPEB benefits.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND  
RELATED RATIOS (CONTINUED)  
LAST TEN MEASUREMENT PERIODS**

Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017
\$ 94,965	\$ 83,991	\$ 84,233	\$ 74,266
20,567	25,242	39,428	46,808
(14,037)	4,927	57,376	62,955
25,331	-	(647,385)	(193,904)
(64,085)	(51,214)	(37,166)	(37,841)
<u>62,741</u>	<u>62,946</u>	<u>(503,514)</u>	<u>(47,716)</u>
<u>684,946</u>	<u>622,000</u>	<u>1,125,514</u>	<u>1,173,230</u>
<u>\$ 747,687</u>	<u>\$ 684,946</u>	<u>\$ 622,000</u>	<u>\$ 1,125,514</u>
\$ 9,873,847	\$ 9,633,244	\$ 9,144,510	\$ 8,834,953
8%	7%	7%	13%

Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017
\$ 14,291	\$ 11,714	\$ 11,373	\$ 11,721
8,503	8,141	7,221	7,011
(4,703)	-	(9,309)	-
(33,446)	-	(1,782)	-
(14,816)	(11,011)	(13,832)	(10,266)
(30,171)	8,844	(6,329)	8,466
<u>216,811</u>	<u>207,967</u>	<u>214,296</u>	<u>205,830</u>
<u>\$ 186,640</u>	<u>\$ 216,811</u>	<u>\$ 207,967</u>	<u>\$ 214,296</u>
\$ 5,293,603	\$ 4,774,288	\$ 4,635,231	\$ 4,460,144
4%	5%	4%	5%

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**  
**LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021
<b>General Employee Fund</b>				
City's Proportion of the Net Pension Liability	0.1727%	0.1746%	0.1690%	0.1696%
City's Proportionate Share of the Net Pension Liability	\$ 6,383,592	\$ 9,763,437	\$ 13,384,856	\$ 7,242,680
State's Proportionate Share of the Net Pension Liability Associated with the City	165,067	269,124	392,506	221,202
Total City's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	<u>\$ 6,548,659</u>	<u>\$ 10,032,561</u>	<u>\$ 13,777,362</u>	<u>\$ 7,463,882</u>
City's Covered Payroll	<u>\$ 14,614,227</u>	<u>\$ 13,750,074</u>	<u>\$ 12,623,020</u>	<u>\$ 12,427,916</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	43.68%	71.01%	106.04%	58.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%	87.00%
<b>Police and Fire Fund</b>				
City's Proportion of the Net Pension Liability	0.3177%	0.3234%	0.3234%	0.3147%
City's Proportionate Share of the Net Pension Liability	\$ 4,180,020	\$ 5,493,173	\$ 14,073,091	\$ 2,429,150
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 159,341	\$ 221,260	\$ 614,740	\$ 109,225
Total City's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	<u>\$ 4,339,361</u>	<u>\$ 5,714,433</u>	<u>\$ 14,687,831</u>	<u>\$ 2,538,375</u>
City's Covered Payroll	<u>\$ 4,399,667</u>	<u>\$ 4,177,006</u>	<u>\$ 3,932,669</u>	<u>\$ 3,719,662</u>
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	95.01%	131.51%	357.85%	65.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.50%	70.50%	87.19%

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (CONTINUED)  
LAST TEN MEASUREMENT PERIODS**

Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.1668%	0.1666%	0.1691%	0.1732%	0.1682%	0.1672%
\$ 10,000,422	\$ 9,210,941	\$ 9,380,975	\$ 11,056,974	\$ 13,657,005	\$ 8,665,171
308,478	286,155	307,610	139,012	178,369	-
<u>\$ 10,308,900</u>	<u>\$ 9,497,096</u>	<u>\$ 9,688,585</u>	<u>\$ 11,195,986</u>	<u>\$ 13,835,374</u>	<u>\$ 8,665,171</u>
<u>\$ 11,895,887</u>	<u>\$ 11,823,289</u>	<u>\$ 11,372,604</u>	<u>\$ 11,313,906</u>	<u>\$ 10,443,843</u>	<u>\$ 9,826,867</u>
84.07%	77.91%	82.49%	97.73%	130.77%	88.18%
79.06%	80.23%	79.53%	75.90%	68.91%	78.20%
0.3102%	0.3301%	0.3187%	0.3270%	0.3190%	0.3110%
\$ 4,088,768	\$ 3,514,248	\$ 3,397,014	\$ 4,414,889	\$ 12,802,025	\$ 3,533,688
\$ 96,322	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 4,185,090</u>	<u>\$ 3,514,248</u>	<u>\$ 3,397,014</u>	<u>\$ 4,414,889</u>	<u>\$ 12,802,025</u>	<u>\$ 3,533,688</u>
<u>\$ 3,504,057</u>	<u>\$ 3,482,445</u>	<u>\$ 3,358,796</u>	<u>\$ 3,361,271</u>	<u>\$ 3,070,825</u>	<u>\$ 2,853,462</u>
116.69%	100.91%	101.14%	131.35%	416.89%	123.84%
87.19%	89.26%	88.84%	85.40%	63.90%	78.20%

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF CITY PERA CONTRIBUTIONS  
LAST TEN YEARS**

	2024	2023	2022	2021
<b>General Employee Fund</b>				
Contractually Required Contribution	\$ 1,096,067	\$ 1,057,718	\$ 984,318	\$ 935,050
Contributions in Relation to the Contractually Required Contribution	(1,096,067)	(1,057,718)	(984,318)	(935,050)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 14,614,227	\$ 14,104,112	\$ 13,124,346	\$ 12,467,323
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
<b>Police and Fire Fund</b>				
Contractually Required Contribution	\$ 778,741	\$ 761,653	\$ 714,779	\$ 675,856
Contributions in Relation to the Contractually Required Contribution	(778,741)	(761,653)	(714,779)	(675,856)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 4,399,667	\$ 4,303,121	\$ 4,038,299	\$ 3,818,339
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%
<b>Fire Relief Association Plan</b>				
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Association's Covered Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF CITY PERA CONTRIBUTIONS (CONTINUED)  
LAST TEN YEARS**

2020	2019	2018	2017	2016	2015
\$ 901,503	\$ 899,306	\$ 863,494	\$ 836,385	\$ 804,270	\$ 778,475
(901,503)	(899,306)	(863,494)	(836,385)	(804,270)	(778,475)
<u>\$ -</u>					
\$ 12,016,880	\$ 11,912,770	\$ 11,513,238	\$ 11,151,750	\$ 10,726,757	\$ 10,379,740
7.50%	7.55%	7.50%	7.50%	7.50%	7.50%
\$ 635,498	\$ 602,462	\$ 545,388	\$ 544,997	\$ 500,744	\$ 508,708
(635,498)	(602,462)	(545,388)	(544,997)	(500,744)	(508,708)
<u>\$ -</u>					
\$ 3,590,385	\$ 3,554,348	\$ 3,366,594	\$ 3,364,225	\$ 3,091,017	\$ 3,140,174
17.70%	16.95%	16.20%	16.20%	16.20%	16.20%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>					
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF OWATONNA, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2024**

	Budget Original & Final	Actual	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 14,748,748	\$ 14,732,432	\$ (16,316)
Licenses and Permits	452,200	601,772	149,572
Intergovernmental	7,392,346	7,477,868	85,522
Charges for Services	2,557,504	2,603,044	45,540
Fines and Forfeits	139,000	131,329	(7,671)
Investment Income (Loss)	75,000	636,331	561,331
Contributions and Donations	9,200	21,851	12,651
Miscellaneous	145,100	312,491	167,391
Total Revenues	<u>25,519,098</u>	<u>26,517,118</u>	<u>998,020</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Mayor and Council	368,254	271,460	(96,794)
City Administration	2,713,337	2,340,247	(373,090)
Legal	279,438	284,110	4,672
Buildings and Plant	1,182,338	1,118,942	(63,396)
Total General Government	<u>4,543,367</u>	<u>4,014,759</u>	<u>(528,608)</u>
Public Safety:			
Police	6,675,789	6,602,805	(72,984)
Fire	2,316,689	2,282,304	(34,385)
Building Inspection	529,418	539,793	10,375
Total Public Safety	<u>9,521,896</u>	<u>9,424,902</u>	<u>(96,994)</u>
Public Works:			
Engineering	1,210,734	1,074,392	(136,342)
Street Maintenance	3,881,561	3,460,764	(420,797)
Airport	563,973	713,902	149,929
Total Public Works	<u>5,656,268</u>	<u>5,249,058</u>	<u>(407,210)</u>
Culture and Recreation:			
Library	1,339,095	1,232,978	(106,117)
Park & Rec Administration	462,684	422,217	(40,467)
Park Maintenance	2,294,046	2,346,005	51,959
Recreation	1,762,108	1,675,976	(86,132)
Total Culture and Recreation	<u>5,857,933</u>	<u>5,677,176</u>	<u>(180,757)</u>
Housing & Economic Development:			
Planning & Zoning	452,154	395,238	(56,916)
Total Housing & Economic Development	<u>452,154</u>	<u>395,238</u>	<u>(56,916)</u>
Capital Outlay:			
Public Works	-	23,701	23,701
Debt Service:			
Principal Retirement	-	211,889	211,889
Interest and Fiscal Charges	-	13,188	13,188
Total Expenditures	<u>26,031,618</u>	<u>25,009,911</u>	<u>(988,492)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(512,520)	1,507,207	2,019,727
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	712,520	708,700	(3,820)
Transfers Out	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	<u>512,520</u>	<u>508,700</u>	<u>(3,820)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 2,015,907</u>	<u>\$ 2,015,907</u>
Fund Balance - Beginning of Year		<u>14,025,396</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 16,041,303</u>	

See accompanying Notes to Required Supplementary Information.

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

**NOTE 1 LEGAL COMPLIANCE – BUDGETS**

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Only the General Fund’s budget is considered an “annually legally adopted budget”.

Any budgetary overages were considered by the City’s management to be the result of necessary expenditures critical to operations and were approved by the Council.

**NOTE 2 UNBUDGETED MAJOR SPECIAL REVENUE FUND**

The City has not adopted a budget for the ARPA Fund. Thus, there is no budgetary comparison schedule included in the required supplementary information.

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2024

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 and payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

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

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2023

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent 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 have been no changes since the prior valuation.

2020

Changes 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.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2020 (Continued)

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0 per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumption

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2015 (Continued)

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 increase 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.

B. Police and Fire Fund

2024

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The state contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value assets basis, or July 1, 2048, whichever is earlier. The contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 20248 if earlier).

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2023

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5% to 7.00%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale-MP 2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increases to be paid after the attainment of the 90% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

C. Volunteer Firefighters Relief Association

2023

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- The discount rate changed from 5.50% to 6.25%.
- The pre-retirement withdrawal assumption was changed from 0% to 6% for members with less than 10 years of service.

Changes in Plan Provisions

- The benefit level was increased from \$13,750 to \$14,750.

2021

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The benefit level was increased from \$12,000 to \$14,750.

2020

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The benefit level was increased from \$10,750 to \$12,000.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The benefit level was increased from \$10,000 to \$10,750.

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

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

C. Volunteer Firefighters Relief Association (Continued)

2018

Changes in Actuarial Assumptions

- The discount rate changed from 2.25% to 5.50%.

Changes in Plan Provisions

- The benefit level was increased from \$9,500 to \$10,000.

2017

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**COMBINING NONMAJOR FUND STATEMENTS  
AND SCHEDULES**

**CITY OF OWATONNA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Special Revenue Funds**

***Library Reserve and Memorial Fund*** – This fund is used to account for private donations and memorials that are specifically to be used for library activity. The Hunewill Trust principal was set to remain at \$16,500 with interest earnings being used to purchase books as specified by donor.

MIF Fund – This fund was established to account for grants received for flood recovery.

**Capital Projects Funds** – see fund definitions on pages 109-111.

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

	Special Revenue Funds			Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Library Reserve & Memorial Fund	MIF Fund	Total		
<b>ASSETS</b>					
Cash	\$ 792,608	\$ 21	\$ 792,629	\$ 119,643	\$ 912,272
Investments	-	-	-	600,000	600,000
Total Assets	\$ 792,608	\$ 21	\$ 792,629	\$ 719,643	\$ 1,512,272
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 3,166	\$ -	\$ 3,166	\$ 44,049	\$ 47,215
Advance From Other Funds	-	-	-	707,024	707,024
Total Liabilities	3,166	-	3,166	751,073	754,239
<b>FUND BALANCE</b>					
Restricted for:					
Hunewill	16,500	-	16,500	-	16,500
Memorials	772,942	-	772,942	-	772,942
Grant Projects	-	21	21	-	21
Capital Projects	-	-	-	666,777	666,777
Economic Development	-	-	-	8,817	8,817
Unassigned	-	-	-	(707,024)	(707,024)
Total Fund Balance	789,442	21	789,463	(31,430)	758,033
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 792,608	\$ 21	\$ 792,629	\$ 719,643	\$ 1,512,272

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

	Special Revenue Funds			Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Library Reserve & Memorial Fund	MIF Fund	Total		
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 2,598,834	\$ 2,598,834
Interest	37,801	-	37,801	31,958	69,759
Miscellaneous	182,139	-	182,139	-	182,139
Total Revenues	219,940	-	219,940	2,630,792	2,850,732
<b>EXPENDITURES</b>					
Current:					
Economic Development	-	-	-	2,597,512	2,597,512
Miscellaneous	92,220	-	92,220	-	92,220
Total Expenditures	92,220	-	92,220	2,597,512	2,689,732
<b>NET CHANGE IN FUND BALANCE</b>	127,720	-	127,720	33,280	161,000
Fund Balance (Deficit) - Beginning of Year	661,722	21	661,743	(64,710)	597,033
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	\$ 789,442	\$ 21	\$ 789,463	\$ (31,430)	\$ 758,033

**CITY OF OWATONNA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR CAPITAL PROJECTS FUNDS**

**Nonmajor Capital Projects Funds**

A Capital Projects Fund is established to account for financial resources to be used for the acquisition or construction of major capital assets.

Sales Tax Capital Projects Fund – was established to account for the capital projects being funded by the special local option sales tax and excise tax.

TIF 3-6 Viracon Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-7 Kerry Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-8 Daikin Applied Economic Development Fund – were established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-9 Cybex Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-10 ProPet Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-11 Cemstone Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-12 Costco Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with creation of the distribution facility.

TIF 3-13 Daikin Applied Economic Development Fund – were established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-14 Bosch Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-15 CDI Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

**CITY OF OWATONNA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR CAPITAL PROJECTS FUNDS**

TIF 3-16 Kamp Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 4-1 Hospital Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old hospital site.

TIF 5-1 Tailwind Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old Hardees/Budgetmart site.

TIF 7-1 Gateway #2 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 8-1 South Pointe #1 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 8-2 South Pointe #2 Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 9-1 Arrow Ace Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 10-1 E Pearl Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 10-2 Marriott Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 11-1 Toreys Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 12-1 Metropolitan Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 13-1 Foremost Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**CITY OF OWATONNA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR CAPITAL PROJECTS FUNDS**

TIF 14-1 Eastgate Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 15-1 Mound Street Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 16-1 202 Bridge Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 17-1 Bubbas Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

TIF 18-1 Monson Eye Clinic Fund – was established to account for tax increment financing activities relative to property acquisition and site improvements to assist with redevelopment within the district.

**CITY OF OWATONNA, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2024**

	Sales Tax Capital Projects Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund	TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund
<b>ASSETS</b>							
Cash	\$ 66,777	\$ -	\$ 20,534	\$ -	\$ -	\$ -	\$ -
Investments	600,000	-	-	-	-	-	-
Total Assets	<u>\$ 666,777</u>	<u>\$ -</u>	<u>\$ 20,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ -	\$ 20,534	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-
Advance From Other Funds	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>20,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>							
Restricted for							
Capital Projects	666,777	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	<u>666,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 666,777</u>	<u>\$ -</u>	<u>\$ 20,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
 DECEMBER 31, 2024**

	TIF 3-12 Costco Fund	TIF 3-13 Daikin #2 Fund	TIF 3-14 Bosch Fund	TIF 3-15 CDI Fund	TIF 3-16 KAMP Fund	TIF 4-1 Hospital Revelop Fund	TIF 5-1 Tailwind Fund
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,332	\$ -
Investments	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,332</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,515	\$ -
Due to Other Funds	-	-	-	-	-	-	-
Advance From Other Funds	-	-	235,007	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>235,007</u>	<u>-</u>	<u>-</u>	<u>23,515</u>	<u>-</u>
<b>FUND BALANCE</b>							
Restricted for							
Capital Projects	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	8,817	-
Unassigned	-	-	(235,007)	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>(235,007)</u>	<u>-</u>	<u>-</u>	<u>8,817</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,332</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
 DECEMBER 31, 2024**

	TIF 7-1 Gateway #2 Fund	TIF 8-1 South Pointe #1 Fund	TIF 8-2 South Pointe #2 Fund	TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 10-2 Marriott Fund	TIF 11-1 Toreys Fund
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-
Advance From Other Funds	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>							
Restricted for							
Capital Projects	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
DECEMBER 31, 2024**

	TIF 12-1 Metropolitan Fund	TIF 13-1 Foremost Fund	TIF 14-1 Eastgate Fund	TIF 15-1 Mound Street Fund	TIF 16-1 202 Bridge Fund	TIF 17-1 Bubbas Fund	TIF 18-1 Monson Eye Clinic Fund	Total
<b>ASSETS</b>								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,643
Investments	-	-	-	-	-	-	-	600,000
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,643</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,049
Due to Other Funds	-	-	-	-	-	-	-	-
Advance From Other Funds	-	-	472,017	-	-	-	-	707,024
Total Liabilities	<u>-</u>	<u>-</u>	<u>472,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,073</u>
<b>FUND BALANCE</b>								
Restricted for								
Capital Projects	-	-	-	-	-	-	-	666,777
Economic Development	-	-	-	-	-	-	-	8,817
Unassigned	-	-	(472,017)	-	-	-	-	(707,024)
Total Fund Balance	<u>-</u>	<u>-</u>	<u>(472,017)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,430)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,643</u>

**CITY OF OWATONNA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED DECEMBER 31, 2024**

	Sales Tax Capital Projects Fund	TIF 3-6 Viracon Fund	TIF 3-7 Kerry Fund	TIF 3-8 Daikin Fund	TIF 3-9 Cybex Fund	TIF 3-10 ProPet Fund	TIF 3-11 Cemstone Fund
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 43,229	\$ 173,388	\$ 212,762	\$ 53,973	\$ 5,198
Interest	31,958	-	-	-	-	-	-
Total Revenues	<u>31,958</u>	<u>-</u>	<u>43,229</u>	<u>173,388</u>	<u>212,762</u>	<u>53,973</u>	<u>5,198</u>
<b>EXPENDITURES</b>							
Current:							
Housing & Economic Development	-	68,379	43,229	155,136	212,762	53,973	5,198
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>68,379</u>	<u>43,229</u>	<u>155,136</u>	<u>212,762</u>	<u>53,973</u>	<u>5,198</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	31,958	(68,379)	-	18,252	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	31,958	(68,379)	-	18,252	-	-	-
Fund Balance (Deficit) - Beginning of Year	<u>634,819</u>	<u>68,379</u>	<u>-</u>	<u>(18,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 666,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2024**

	TIF 3-12 Costco Fund	TIF 3-13 Daikin #2 Fund	TIF 3-14 Bosch Fund	TIF 3-15 CDI Fund	TIF 3-16 KAMP Fund	TIF 4-1 Hospital Revelop Fund	TIF 5-1 Tailwind Fund
<b>REVENUES</b>							
Taxes	\$ 656,651	\$ 160,026	\$ 435,493	\$ 124,691	\$ 1,203	\$ 56,731	\$ 13,622
Interest	-	-	-	-	-	-	-
Total Revenues	<u>656,651</u>	<u>160,026</u>	<u>435,493</u>	<u>124,691</u>	<u>1,203</u>	<u>56,731</u>	<u>13,622</u>
<b>EXPENDITURES</b>							
Current:							
Housing & Economic Development	656,651	160,026	400,247	124,691	1,203	51,000	13,622
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>656,651</u>	<u>160,026</u>	<u>400,247</u>	<u>124,691</u>	<u>1,203</u>	<u>51,000</u>	<u>13,622</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	35,246	-	-	5,731	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	35,246	-	-	5,731	-
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>(270,253)</u>	<u>-</u>	<u>-</u>	<u>3,086</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (235,007)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,817</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2024**

	TIF 7-1 Gateway #2 Fund	TIF 8-1 South Pointe #1 Fund	TIF 8-2 South Pointe #2 Fund	TIF 9-1 Arrow Ace Fund	TIF 10-1 E Pearl Fund	TIF 10-2 Marriott Fund	TIF 11-1 Toreys Fund
<b>REVENUES</b>							
Taxes	\$ 29,002	\$ 64,785	\$ 44,886	\$ 20,167	\$ 81,627	\$ 183,420	\$ 18,361
Interest	-	-	-	-	-	-	-
Total Revenues	<u>29,002</u>	<u>64,785</u>	<u>44,886</u>	<u>20,167</u>	<u>81,627</u>	<u>183,420</u>	<u>18,361</u>
<b>EXPENDITURES</b>							
Current:							
Housing & Economic Development	29,002	64,785	44,886	20,167	81,627	183,420	18,361
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>29,002</u>	<u>64,785</u>	<u>44,886</u>	<u>20,167</u>	<u>81,627</u>	<u>183,420</u>	<u>18,361</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-	-	-	-
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OWATONNA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2024**

	TIF 12-1 Metropolitan Fund	TIF 13-1 Foremost Fund	TIF 14-1 Eastgate Fund	TIF 15-1 Mound Street Fund	TIF 16-1 202 Bridge Fund	TIF 17-1 Bubbas Fund	TIF 18-1 Monson Eye Clinic Fund	Total
<b>REVENUES</b>								
Taxes	\$ 88,300	\$ 14,078	\$ 33,956	\$ 54,942	\$ 13,586	\$ 1,688	\$ 13,069	\$ 2,598,834
Interest	-	-	-	-	-	-	-	31,958
Total Revenues	<u>88,300</u>	<u>14,078</u>	<u>33,956</u>	<u>54,942</u>	<u>13,586</u>	<u>1,688</u>	<u>13,069</u>	<u>2,630,792</u>
<b>EXPENDITURES</b>								
Current:								
Housing & Economic Development	88,300	14,078	23,484	54,942	13,586	1,688	13,069	2,597,512
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>88,300</u>	<u>14,078</u>	<u>23,484</u>	<u>54,942</u>	<u>13,586</u>	<u>1,688</u>	<u>13,069</u>	<u>2,597,512</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	10,472	-	-	-	-	33,280
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	10,472	-	-	-	-	33,280
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>(482,489)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,710)</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (472,017)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,430)</u>

**CITY OF OWATONNA, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNITS**

**Discretely Presented Component Unit**

The Economic Development Authority (EDA) consists of three funds which are all accounted for as governmental funds.

***EDA Administration Fund*** – This fund accounts for the administrative activities related to economic and industrial development and redevelopment within the City.

***EDA Loan Fund*** – This fund accounts for the activities related to loans for the purpose of economic and industrial development and redevelopment within the City.

***EDA Land Fund*** – This fund accounts for the activities related to the acquisition and sale of land related to economic and industrial development and redevelopment within the City.

**CITY OF OWATONNA, MINNESOTA  
COMBINING BALANCE SHEET  
COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2024**

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 165,748	\$ 77,676	\$ 594,320	\$ 837,744
Investments	-	700,000	500,000	1,200,000
Accounts	20,359	-	-	20,359
Accrued Interest	-	61	-	61
Loans and Notes	-	53,781	1,742,498	1,796,279
Land Held for Resale	-	-	2,256,797	2,256,797
	<b>\$ 186,107</b>	<b>\$ 831,518</b>	<b>\$ 5,093,615</b>	<b>\$ 6,111,240</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 39,348	\$ 270	\$ -	\$ 39,618
	39,348	270	-	39,618
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	597,973	597,973
	-	-	597,973	597,973
<b>FUND BALANCE</b>				
Restricted for Economic Development	146,759	831,248	4,495,642	5,473,649
	146,759	831,248	4,495,642	5,473,649
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<b>\$ 186,107</b>	<b>\$ 831,518</b>	<b>\$ 5,093,615</b>	<b>\$ 6,111,240</b>
<b>FUND BALANCE - COMPONENT UNIT</b>				<b>\$ 5,473,649</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				508,251
Donated land held for resale is not expected to be sold soon enough to provide available resources and therefore, is a deferred inflows in the funds				91,500
Other long-term assets are not available to pay for current expenditures, and therefore, are a deferred inflows in the funds				506,473
Internal Service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.				(1,848)
<b>NET POSITION - COMPONENT UNIT</b>				<b>\$ 6,578,025</b>

**CITY OF OWATONNA, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY  
YEAR ENDED DECEMBER 31, 2024**

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total
<b>REVENUES</b>				
Taxes	\$ 497,684	\$ -	\$ -	\$ 497,684
Intergovernmental	140,000	-	-	140,000
Interest on Investments	6,783	39,476	45,972	92,231
Interest on Loans	-	782	42,255	43,037
Miscellaneous	65,758	-	100,726	166,484
Total Revenues	710,225	40,258	188,953	939,436
<b>EXPENDITURES</b>				
Current				
Miscellaneous	670,999	81,030	29,051	781,080
Total Expenditures	670,999	81,030	29,051	781,080
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	39,226	(40,772)	159,902	158,356
Fund Balance - Beginning of Year	107,533	872,020	4,335,740	5,315,293
<b>FUND BALANCE - END OF YEAR</b>	\$ 146,759	\$ 831,248	\$ 4,495,642	\$ 5,473,649
<b>NET CHANGE IN FUND BALANCE - COMPONENT UNIT</b>				\$ 158,356
Amounts reported for governmental activities in the Statement of Activites are different because:				
Revenues in the Statement of Activites that do not provide current financial resources are not reported as revenues in the funds.				
				-
<b>CHANGE IN NET POSITION - COMPONENT UNIT</b>				\$ 158,356

## **OTHER REPORTS SECTION**



**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 City Council  
City of Owatonna, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2025. Our report includes a reference to other auditors who audited the financial statements of Owatonna Public Utilities as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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.

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

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

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

### ***The City's Response to Findings***

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

### ***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 15, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

The City's basic financial statements include the operations of the Owatonna Public Utilities, which did not expend any federal awards which is not included in City's schedule of expenditures of federal awards during the year ended December 31, 2024. Our audit, described above, did not include the operations of Owatonna Public Utilities because Owatonna Public Utilities engaged other auditors to perform an audit of compliance.

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

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004, to be a significant deficiency.

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

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

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



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 15, 2025

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2024**

Federal Grantor/Pass-Through Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Direct:				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,112	\$ -
Passed Through South Central Drug Investigative Unit:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-VCET-2022-OWATOND-025	176,455	-
Total U.S. Department of Justice			178,567	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Airport Improvement Program	20.106	N/A	213,571	-
Total U.S. Department of Transportation			213,571	-
<b>U.S. DEPARTMENT OF TREASURY</b>				
Direct:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,216,173	-
Total U.S. Department of Treasury			1,216,173	-
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Minnesota Public Facilities Authority:				
Capitalization Grants for Clean Water State Revolving Loan Funds	66.458	MPFA-CWRF-L-037-FY23	474,385	-
Total U.S. Environmental Protection Agency			474,385	-
Total Federal Expenditures			<u>\$ 2,082,696</u>	<u>\$ -</u>

**NOTE 1**

The accompanying schedule of expenditures of federal awards presents the activities of the federal awards (the Schedule) programs expended by the City of Owatonna. The City's reporting entity is defined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City. The Schedule does not include the operations of the Owatonna Public Utilities Commission.

**NOTE 2**

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the City. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**NOTE 3**

N/A – The pass-through entity identifying number is unknown or doesn't have one because of direct funding.



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Owatonna, 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 the governmental activities, the business-type activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Owatonna, Minnesota, as of December 31, 2024 and the related notes to the financial statements and have issued our report thereon dated September 15, 2025. Our report includes a reference to other auditors who audited the financial statements of Owatonna Public Utilities, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 15, 2025

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2024**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?            yes     x     none reported
3. Noncompliance material to financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified?     x     yes            none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes     x     no

**Identification of Major Federal Programs**

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	COVID-19 State and Local Fiscal Recovery Funds

- Dollar threshold used to distinguish between Type A and Type B programs: \$     750,000
- Auditee qualified as low-risk auditee?     x     yes            no

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

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***Section II – Financial Statement Findings***

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<b>Finding: 2024-001</b>	<b>Approval of Journal Entries</b>
<b>Type of Finding:</b>	Material Weakness in Internal Control Over Financial Reporting
<b>Condition:</b>	Due to the limited size of the City's business office staff, the City has limited segregation of duties over the review and approval of journal entries.
<b>Criteria or Specific Requirement:</b>	Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.
<b>Effect:</b>	The City was unable to maintain segregation of incompatible duties over journal entries during the current year.
<b>Cause:</b>	There is a limited number of staff in the business office.
<b>Repeat Finding:</b>	Yes, See Finding 2023-001
<b>Recommendation:</b>	We recommend that the City segregate duties over journal entries to strengthen internal controls.
<b>Views of Responsible Officials:</b>	There is no disagreement with the audit finding.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

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***Section II – Financial Statement Findings (Continued)***

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<b>Finding: 2024-002</b>	<b>Approval of Financial Information</b>
<b>Type of Finding:</b>	Material Weakness in Internal Control Over Financial Reporting
<b>Condition:</b>	Due to significant turnover in the finance department, the Council has not been receiving vital financial information during the year. This lack of reporting reduces the ability for the Council to make good financial decisions during the year.
<b>Criteria or Specific Requirement:</b>	Generally, a system of internal control contemplates receiving financial information timely and often in order to make sound financial decisions. It also affects the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
<b>Effect:</b>	The City was unable to produce monthly financial reports to the Council due to significant turnover in the finance department.
<b>Cause:</b>	Significant turnover in the finance department.
<b>Repeat Finding:</b>	No
<b>Recommendation:</b>	We recommend that management provides monthly financial reports to the Council.
<b>Views of Responsible Officials:</b>	There is no disagreement with the audit finding.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

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***Section II – Financial Statement Findings (Continued)***

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<b>Finding: 2024-003</b>	<b>Lack of Timely Bank Reconciliations</b>
<b>Type of Finding:</b>	Material Weakness in Internal Control Over Financial Reporting
<b>Condition:</b>	Due to significant turnover in the finance department, monthly bank reconciliations were not being performed timely.
<b>Criteria or Specific Requirement:</b>	As part of sound financial controls over cash and investment balances, the City should reconcile its bank and investment accounts to its general ledger at the end of each calendar month.
<b>Effect:</b>	Absence of a complete and accurate reconciliation of the City's cash each month diminishes the ability of the City's management to ensure timely and accurate reporting of financial information.
<b>Cause:</b>	Significant turnover in the finance department.
<b>Repeat Finding:</b>	No
<b>Recommendation:</b>	We recommend that management reconciles cash and investments on a monthly basis.
<b>Views of Responsible Officials:</b>	There is no disagreement with the audit finding.

**CITY OF OWATONNA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2024**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**Finding: 2024-004      Lack of Procurement Policy – Procurement, Suspension and Debarment**

**Federal Agency:** U.S. Department of Treasury

**Federal Program Title:** Coronavirus State and Local Fiscal Recovery Funds

**Assistance Listing Number:** 21.027

**Federal Award Identification Number and Year:** N/A

**Pass-Through Agency:** N/A

**Pass-Through Number(s):** N/A

**Award Period:** December 31, 2024

**Type of Finding:** Significant Deficiency in Internal Control Over Compliance

**Criteria or Specific**

**Requirement:** The City is required to have controls in place to ensure vendors are not federally suspended or debarred prior to payment.

**Condition:** There is a lack of an official procurement, suspension and debarment policy as required by Uniform Grant Guidance.

**Questioned Costs:** None

**Context:** During testing, it was noted that the City does not have a Uniform Grant Guidance Procurement Policy designating controls of procurement, suspension & debarment procedures.

**Cause:** Oversight

**Effect:** There is potential for vendors to be paid with federal dollars without receiving proper approval or while being federally suspended.

**Repeat Finding:** Yes, See Finding 2023-002.

**Recommendation:** We recommend the City adopt a Procurement Policy in line with Uniform Grant Guidance.

**Views of Responsible Officials:** There is no disagreement with the audit finding.



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