

City of Wabasso
Special Meeting
Wednesday, July 30, 2025
5:00 pm

SPECIAL MEETING

1. Call to order
2. 2024 Financial Audit Report
3. Purchase Agreement for Light at Football Field
4. Lease Agreement for Lights at Football Field
5. Adjourn

**City of Wabasso
Special Meeting
Wednesday, July 30, 2025
Agenda Report**

1. **2024 Financial Report** – Rebecca Towne, from Kinner & Company, will present the 2024 Financial Report noting important points and taking any questions the council may have. Once complete, please approve to certify the report.
2. **Football Field Light Purchase Agreement** – Please see attached purchase agreement from MUSCO in the amount of \$158,281 for replacement lights and poles at the football field. A complete second quote will be obtained by the time of the meeting. Please approve.
3. **Football Lights Lease Agreement** – Please see attached lease agreement from KS State Bank of the purchase of previously approved lighting upgrade at the football field. The lease is for 7 years with the first payment due in July 2026. The payments will be \$19,687.46 and will be paid by the city and fully reimbursed by ISD 640, unless the council decides budget contributions from the city. Please approve.

**CITY OF WABASSO
WABASSO, MINNESOTA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2024**

City of Wabasso

Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report	1-3
Required Supplementary Information (Unaudited)	
Management’s Discussion and Analysis	4-11
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds	
Statement of Revenues, Expenditures, and	
Changes in Fund Balances with Statement	
of Activities	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Change	
in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
General Fund - Statement of Revenues, Expenditures,	
and Changes in Fund Balance - Budget and Actual	23-26
Ambulance Fund - Statement of Revenues, Expenditures,	
and Changes in Fund Balance - Budget and Actual	27
Fire Fund - Statement of Revenues, Expenditures,	
and Changes in Fund Balance - Budget and Actual	28
<i>Notes to the Basic Financial Statements</i>	29-65
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability	66
Schedule of Contributions	67
Notes to the Required Supplementary Information	68-70
Single Audit and Other Required Reports	
Schedule of Expenditures of Federal Awards	71
Notes to Schedule of Expenditures of Federal Awards	72
Independent Auditor’s Report on Internal Control over Financial	
Reporting on Compliance and Other Matters Based on an Audit	
of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	73-74
Independent Auditor’s Report on Compliance for the Major Program;	
Report on Internal Control over Compliance; and Report on Schedule	
of Expenditures of Federal Awards Required by the Uniform Guidance	75-77

City of Wabasso

Table of Contents

Schedule of Findings and Questioned Costs	78
Summary of Prior and Current Audit Findings	79-81
Other Supplementary Information	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet – Nonmajor Governmental Funds	82-83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	84-85
Combining Statement of Net Position – Nonmajor Enterprise Funds	86
Combining Statement of Revenues, Expenses, and Change in Net Position – Nonmajor Enterprise Funds	87

FINANCIAL SECTION



Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of Wabasso
Wabasso, Minnesota 56293

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wabasso, Minnesota and to meet our 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

722 Main Street, PO Box 186, Wabasso, MN 56293
507-342-5126, fax 507-342-2376
Visit our website at www.kinner.co

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension required supplementary information, as listed in the table of contents, 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wabasso, Minnesota's basic financial statements. The accompanying combining nonmajor fund financial statements and 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 financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2025, on our consideration of the City of Wabasso's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wabasso's internal control over financial reporting and compliance.

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants

July 25, 2025

CITY OF WABASSO

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

This section of the City of Wabasso’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year that ended on December 31, 2024 to meet the required reporting by the Government Accounting Standards Board’s (GASB) Statement No. 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. State No. 34 is designed to make the annual reports easier for the public to understand and more useful to stakeholders.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,485,604 (net position). Of this amount, \$2,640,743 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased by \$3,215,164, compared to an increase of \$894,693 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$2,746,275 and governmental activities had an increase of \$468,889. The major factors in the change in governmental activities was due to property taxes, state aids and a capital contribution relating to the Local Road Improvement Program of \$62,500. The major factor contributing to the increase in business-type activities relates grants for the sewer rehab project of \$2,962,622.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$2,954,866, an increase of \$60,506 in comparison with the prior year. Of this total amount, there is a deficit \$33,432 reported as unassigned. The remainder of the fund balance is classified in accordance with GASB Statement No. 54 as follows: 1) nonspendable - \$279,010; 2) restricted - \$503,833; 2) committed - \$54,000; and 3) assigned - \$2,151,455.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City’s finances is “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

CITY OF WABASSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

These two statements report the City's net position and changes therein. You can think of the City's net position, the difference between assets and deferred outflows and liabilities and deferred inflows, as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

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

- **Governmental Activities-** Most of the City's basic services are reported here, including the ambulance, fire, public works, economic development, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business-type Activities-** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, storm sewer and garbage are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 14 and provide detailed information about the most significant funds, and not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's three kinds of funds, governmental, proprietary and fiduciary, use different accounting approaches.

- **Governmental Funds –** Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds –** When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds –** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

THE CITY AS A WHOLE

The City's combined net position was \$11,485,604 on December 31, 2024 and the combined net position for December 31, 2023 was \$8,270,440, which is an increase of \$3,215,164, or 39% from the previous year. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1

Net Position	Governmental Activities		Business-Type Activities		Total
	2024	2023	2024	2023	2024
Current and Other Assets	\$3,614,149	\$3,519,078	\$ 1,397,491	\$1,108,486	\$ 5,011,640
Capital Assets	5,110,030	4,814,720	10,475,994	3,501,686	15,586,024
Total Assets	<u>8,724,179</u>	<u>8,333,798</u>	<u>11,873,485</u>	<u>4,610,172</u>	<u>20,597,664</u>
Deferred Outflows of Resources	48,941	30,595	12,236	7,648	61,177
Long-term Liabilities Outstanding	1,522,286	1,703,259	6,047,470	1,707,620	7,569,756
Other Liabilities	522,530	415,608	1,001,482	823,178	1,524,012
Total Liabilities	<u>2,044,816</u>	<u>2,118,867</u>	<u>7,048,952</u>	<u>2,530,798</u>	<u>9,093,768</u>
Deferred Inflows of Resources	63,575	49,686	15,894	12,422	79,469
Net Position					
Net Investment in Capital Assets	3,507,805	3,203,866	4,408,992	1,739,685	7,916,797
Restricted	928,064	-	-	-	928,064
Unrestricted	<u>2,228,860</u>	<u>2,991,974</u>	<u>411,883</u>	<u>334,915</u>	<u>2,640,743</u>
Total Net Position	<u>\$ 6,664,729</u>	<u>\$ 6,195,840</u>	<u>\$ 4,820,875</u>	<u>\$ 2,074,600</u>	<u>\$11,485,604</u>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole.

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

Table 2

Changes in Net Position

	Governmental Activities		Business-type Activities		2024
	2024	2023	2024	2023	Total
Revenues					
Program Revenues					
Charges for Services	\$ 376,153	\$ 427,195	\$ 596,167	\$ 466,364	\$ 972,320
Operating Grants and Contributions	39,130	65,107	-	-	39,130
Capital Grants and Contributions	240,024	804,518	2,962,622	-	3,202,646
General Revenues					
Property Taxes	586,096	571,609	-	-	586,096
Special Assessments	(77)	2,684	7,746	10,418	7,669
Intergovernmental Revenue	440,675	337,679	-	-	440,675
Unrestricted Investment Earnings	20,638	23,965	290	710	20,928
Contributions	55,028	30,834	-	-	55,028
Miscellaneous	38,149	34,335	25,225	21,807	63,374
Total Revenues	<u>1,795,816</u>	<u>2,297,926</u>	<u>3,592,050</u>	<u>499,299</u>	<u>5,387,866</u>
Expenses					
General Administrative	305,890	302,880			305,890
Public Safety	356,505	318,912			356,505
Public Works	303,921	325,134			303,921
Culture and Recreation	180,645	176,558			180,645
Housing and Economic Development	52,144	53,932			52,144
Miscellaneous	88,827	79,979			88,827
Interest & Fiscal Charges on Long-Term Debt	75,355	86,139			75,355
Water			379,847	346,044	379,847
Sewer			383,411	208,899	383,411
Storm Sewer			4,326	-	4,326
Garbage			49,691	40,899	49,691
Total Expenses	<u>1,363,287</u>	<u>1,343,534</u>	<u>817,275</u>	<u>595,842</u>	<u>2,180,562</u>
Gain (Loss) on Sale of Capital Assets	7,860	66,695	-	(29,851)	7,860
Transfers	28,500	28,500	(28,500)	(28,500)	-
Increase (Decrease) in Net Position	468,889	1,049,587	2,746,275	(154,894)	3,215,164
Net Position, January 1	<u>6,195,840</u>	<u>5,146,253</u>	<u>2,074,600</u>	<u>2,229,494</u>	<u>8,270,440</u>
Net Position, December 31	<u>\$ 6,664,729</u>	<u>\$ 6,195,840</u>	<u>\$ 4,820,875</u>	<u>\$ 2,074,600</u>	<u>\$11,485,604</u>

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

Governmental Activities

Revenue for the City's governmental activities decreased by 21.9 percent in 2024 and increased by 6.0 percent in 2023, while total expenses increased in 2024 by 1.5 percent and increased in 2023 by 9.9 percent. The City received additional state aids, charges for services and special assessments in 2023 causing the fluctuation in revenues over the prior year. Expenses remained consistent with the prior year.

Table 3 presents the cost of each of the City's programs- general government, public safety, public works, culture and recreation, economic development, housing rehabilitation, and miscellaneous programs. Activities were generally comparable to the prior year as operations remained consistent with the prior year.

Table 3
Governmental Activities

	Total Cost of Services	
	2024	2023
General Administrative	\$ 305,890	\$ 302,880
Public Safety	356,505	318,912
Public Works	303,921	325,134
Culture & Recreation	180,645	176,558
Housing & Economic Development	52,144	53,932
Miscellaneous	88,827	79,979
Interest & Fiscal Charges on Long-Term Debt	75,355	86,139
Totals	\$ 1,363,287	\$ 1,343,534

Business-Type Activities

For the years ended December 31, 2024 and 2023 revenues of the City's business-type activities (see table 2) increased over one hundred percent and increased by less than one percent and the expenses increased by 37.2 percent in 2024 and increased by 14.5 percent in 2023. The increased revenue was due to grants expenses relate to more repairs, depreciation, contracted services and wages.

THE CITY'S FUNDS

As the City completed the years 2024 and 2023, its governmental funds reported a combined fund balance of \$2,954,866 and \$2,894,360 an increase of 60,506. The increase relates mainly to additional property taxes and state aids.

The City maintains three major governmental funds: General, Ambulance and Fire.

The General Fund balance decreased \$84,637 to \$276,685. The decrease is due to additional expenses over revenues.

The Ambulance fund balance increased \$196,365 to \$685,503 largely due to a transfer from General Fund, a one-time state aid and increased collections/run fees.

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

The Fire fund balance decreased \$65,494 to \$77,963. The decrease relates to capital outlay.

The combined fund balance of the nonmajor governmental funds increased \$14,272 to \$1,914,715.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2024 and 2023, the City's investments in capital assets for its governmental and business-type activities were \$21,691,866 and \$13,834,798. The investment in capital assets includes land, buildings, system improvements, park facilities, machinery, and equipment. During 2024, the government activities purchased a new mower, infrastructure related to Cedar Street project and fire equipment. The business-type activities had additions for the sewer rehab project and also had work in progress associated with a water treatment plant project.

**Table 4
Capital Assets at Year End**

	Governmental Activities		Business-Type Activities	
	2024	2023	2024	2023
Land	\$ 730,476	\$ 732,616	\$ 4,323	\$ 4,323
Work in Progress	-	-	163,067	665,820
Infrastructure	2,589,822	2,440,284	11,697,962	3,922,326
Buildings & Improvements	3,382,684	3,226,925	372,733	372,732
Machinery & Equipment	2,162,404	1,881,377	588,395	588,395
Totals	\$8,865,386	\$8,281,202	\$12,826,480	\$7,669,225

More detailed information about the City's capital assets is presented in Note 1 and Note 3.

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

Long-term Liabilities

As shown in Table 5, the City has \$7,669,225 in debt for 2024 versus \$3,511,108 in debt for 2023, an increase of over 100%.

Table 5

Debt at Year End

	Governmental Activities		Business-Type Activities		2024 Total
	2024	2023	2024	2023	
Financing Lease - 2018	\$ 26,871	\$ 32,800	\$ -	\$ -	\$ 26,871
Financing Lease - 2023	75,354	92,309	-	-	75,354
GO Tax Increment Refunding Bond 2010A	95,000	140,000	-	-	95,000
GO Revenue Refunding Bonds 2013A	95,000	140,000	-	-	95,000
GO Tax Abatement Note, Series 2017A	305,000	330,000	-	-	305,000
GO Improvement Bond, Series 2022A	1,005,000	1,013,000	-	-	1,005,000
GO Water Revenue Bonds 2010A	-	-	1,682,000	1,724,000	1,682,000
GO System Note, Series 2016A	-	-	-	39,000	-
GO Sewer Revenue Bond Anticipation 2023A & 2024A	-	-	4,385,000	-	4,385,000
Totals	\$1,602,225	\$1,748,108	\$6,067,000	\$1,763,000	\$7,669,225

General Fund Budgetary Highlights:

The City Council amended the original budget during the current year. For the years ended December 31, 2024 and 2023, revenues were \$5,558 lower and \$19,900 lower than budget while expenditures were \$2,427 higher and \$290,624 higher than budget. Other financing sources were \$8,215 higher than budgeted and other financing uses were \$27,090 less than budgeted. The City operated close to their final budget.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Wabasso, P.O. Box 60, Wabasso, MN 56293.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-Wide Financial Statements

Fund Financial Statements:

Governmental Funds

Proprietary (Enterprise) Funds

Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**City of Wabasso
Statement of Net Position
December 31, 2024**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 2,540,152	\$ 733,631	\$ 3,273,783
Accounts Receivable	358,410	74,236	432,646
Grant Receivable	--	329,027	329,027
Inventory	--	200	200
Prepaid Expenses	6,329	--	6,329
Special Assessments Receivable	--	1,143	1,143
Taxes Receivable	9,448	--	9,448
Note Receivable-Due within one year	94,663	--	94,663
<i>Internal Balances*</i>	102,602	113,692	--
Total Current Assets	<u>3,111,604</u>	<u>1,251,929</u>	<u>4,147,239</u>
<i>Noncurrent Assets</i>			
Note Receivable-Due beyond one year	185,523	--	185,523
Special Assessments - Deferred	317,022	145,562	462,584
Non-Depreciable	730,476	167,390	897,866
Depreciable, Net	4,379,554	10,308,604	14,688,158
Total Assets	<u>8,724,179</u>	<u>11,873,485</u>	<u>20,381,370</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Resources	48,941	12,236	61,177
Total Deferred Outflows of Resources	<u>48,941</u>	<u>12,236</u>	<u>61,177</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	195,738	384,088	579,826
Retainage Payable	--	332,253	332,253
Accrued Wages and Salaries Payable	1,868	800	2,668
Accrued Payroll Deductions Payable	734	--	734
Accrued Interest Payable	16,408	150,144	166,552
Security Deposits	3,515	--	3,515
Notes Payable-Due within one year	178,170	44,000	222,170
<i>Internal Balances*</i>	126,097	90,197	--
Total Current Liabilities	<u>522,530</u>	<u>1,001,482</u>	<u>1,307,718</u>
<i>Noncurrent Liabilities</i>			
Compensated Absences Payable	4,420	1,014	5,434
Net Pension Liability	93,810	23,456	117,266
Notes Payable-Due beyond one year	1,424,056	6,023,000	7,447,056
Total Liabilities	<u>2,044,816</u>	<u>7,048,952</u>	<u>8,877,474</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Resources	63,575	15,894	79,469
Total Deferred Inflows of Resources	<u>63,575</u>	<u>15,894</u>	<u>79,469</u>
NET POSITION			
Net Investment in Capital Assets	3,507,805	4,408,992	7,916,797
<i>Restricted</i>	928,064	--	928,064
<i>Unrestricted</i>	2,228,860	411,883	2,640,743
Total Net Position	<u>\$ 6,664,729</u>	<u>\$ 4,820,875</u>	<u>\$ 11,485,604</u>

* Amounts have been eliminated in total column

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

**City of Wabasso
Statement of Activities
For the Year Ended December 31, 2024**

Functions/Programs	Program Revenues			Net (Expense) Revenue		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 305,890	\$ --	\$ --	\$ (288,153)	\$ --	\$ (288,153)
Public Safety	356,505	22,802	177,524	137,374	--	137,374
Public Works	303,921	16,328	62,500	(225,093)	--	(225,093)
Culture and Recreation	180,645	--	--	(155,042)	--	(155,042)
Housing and Economic Development	52,144	--	--	(12,884)	--	(12,884)
Other	88,827	--	--	(88,827)	--	(88,827)
Interest and Other Charges on Debt	75,355	--	--	(75,355)	--	(75,355)
Total Governmental Activities	1,363,287	39,130	240,024	(707,980)	--	(707,980)
Business-type Activities:						
Garbage	49,691	--	--	--	6,231	6,231
Sewer	383,411	--	2,962,622	--	2,849,256	2,849,256
Water	379,847	--	--	--	(148,144)	(148,144)
Storm Sewer	4,326	--	--	--	34,171	34,171
Total Business-type Activities	817,275	--	2,962,622	--	2,741,514	2,741,514
Total Primary Government	\$ 2,180,562	\$ 39,130	\$ 3,202,646	\$ (707,980)	\$ 2,741,514	\$ 2,033,534
General Purpose Revenues and Transfers:						
Revenues						
Property Taxes				586,096	--	586,096
Intergovernmental Revenues				440,675	--	440,675
Other Revenue				38,149	25,225	63,374
Interest Income				20,638	290	20,928
Special Assessments				(77)	7,746	7,669
Contributions				55,028	--	55,028
Gain (Loss) on Sale of Capital Assets				7,860	--	7,860
Transfers				28,500	(28,500)	--
Total General Revenues and Transfers				1,176,869	4,761	1,181,630
Change in Net Position				468,889	2,746,275	3,215,164
<i>Net Position at Beginning of Period</i>				6,195,840	2,074,600	8,270,440
Net Position at End of Period				\$ 6,664,729	\$ 4,820,875	\$ 11,485,604

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

**City of Wabasso
Balance Sheet
Governmental Funds
December 31, 2024**

	Special Revenue				Total Governmental Funds
	General	Ambulance	Fire	Other Governmental Funds	
ASSETS					
Cash and Cash Equivalents	\$ 300,089	\$ 331,751	\$ 74,990	\$ 1,833,322	\$ 2,540,152
Accounts Receivable	497	357,913	--	--	358,410
Prepaid Expenses	5,746	194	389	--	6,329
Taxes Receivable	8,232	--	--	1,216	9,448
Note Receivable-Due within one year	--	--	--	94,663	94,663
Current due from other funds	34,504	--	6,009	62,089	102,602
Note Receivable-Due beyond one year	--	--	--	185,523	185,523
Special Assessments - Deferred	--	--	--	317,022	317,022
<i>Total Assets</i>	<u>349,068</u>	<u>689,858</u>	<u>81,388</u>	<u>2,493,835</u>	<u>3,614,149</u>
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 349,068</u>	<u>\$ 689,858</u>	<u>\$ 81,388</u>	<u>\$ 2,493,835</u>	<u>\$ 3,614,149</u>
LIABILITIES					
Accounts Payable	\$ 34,529	\$ 1,637	\$ 3,425	\$ 156,147	\$ 195,738
Accrued Wages and Salaries Payable	1,868	--	--	--	1,868
Accrued Payroll Deductions Payable	(1,419)	1,544	--	609	734
Security Deposits	--	--	--	3,515	3,515
Current due to other funds	31,477	1,174	--	93,446	126,097
<i>Total Liabilities</i>	<u>66,455</u>	<u>4,355</u>	<u>3,425</u>	<u>253,717</u>	<u>327,952</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	5,928	--	--	--	5,928
Unavailable Revenue - Special Assessments	--	--	--	317,898	317,898
Unavailable Revenue - Notes Receivable	--	--	--	7,505	7,505
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>72,383</u>	<u>4,355</u>	<u>3,425</u>	<u>579,120</u>	<u>659,283</u>
FUND BALANCE					
Nonspendable	5,746	194	389	272,681	279,010
Restricted	--	--	--	503,833	503,833
Committed	--	54,000	--	--	54,000
Assigned	270,939	631,309	77,574	1,171,633	2,151,455
Unassigned	--	--	--	(33,432)	(33,432)
<i>Total Fund Balance</i>	<u>276,685</u>	<u>685,503</u>	<u>77,963</u>	<u>1,914,715</u>	<u>2,954,866</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 349,068</u>	<u>\$ 689,858</u>	<u>\$ 81,388</u>	<u>\$ 2,493,835</u>	<u>\$ 3,614,149</u>

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

City of Wabasso
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2024

Total Fund Balance - Governmental Funds	\$ 2,954,866
Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(16,408)
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Position.	(4,420)
Tax revenue deferred in governmental fund statements if not received within sixty days.	323,826
Capital assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	5,110,030
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.	(1,602,226)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements.	7,505
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.	(93,810)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.	(63,575)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	48,941
Total Net Position-Governmental Funds	\$ <u>6,664,729</u>

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024

	Special Revenue				Capital Projects Formerly Major		Total Governmental Funds
	General	Ambulance	Fire	Ec Rec Grant I	Cedar Street Improvements	Other Governmental Funds	
Revenues							
Property Taxes	\$ 408,919	\$ --	--	--		\$ 182,640	\$ 591,559
Special Assessments	--	--	--	--		36,410	36,410
Licenses and Permits	3,940	--	--	--		--	3,940
Intergovernmental Revenues	311,208	95,925	185,184	--		42,210	634,527
Fines and Forfeits	1,047	--	--	--		--	1,047
Refunds and Reimbursements	--	78	--	--		--	78
Charges for Services	12,600	271,984	21,569	--		65,013	371,166
Contributions	25,000	16,142	6,660	--		30,028	77,830
Special Assessments	--	--	--	--		(77)	(77)
Other Revenue	35,561	--	--	--		2,510	38,071
Interest Income	3,941	125	--	--		16,572	20,638
Total Revenues	802,216	384,254	213,413	--		375,306	1,775,189
Expenditures							
General Government	257,261	--	--	--		--	257,261
Public Safety	36,660	203,789	53,474	--		--	293,923
Public Works	228,030	--	--	--		--	228,030
Culture and Recreation	31,277	--	--	--		123,546	154,823
Housing and Economic Development	--	--	--	--		34,132	34,132
Other	25,010	--	--	--		941	25,951
Principal Payments	22,882	--	--	--		123,000	145,882
Interest and Other Charges on Debt	7,015	--	--	--		68,341	75,356
Capital Outlay	200,859	--	241,432	--		96,534	538,825
Total Expenditures	808,994	203,789	294,906	--		446,494	1,754,183
Excess of Revenues Over (Under) Expenditures	(6,778)	180,465	(81,493)	--		(71,188)	21,006
Other Financing Sources (Uses)							
Gain (Loss) on Sale of Capital Assets	6,000	--	--	--		5,000	11,000
Transfers from other funds	--	15,900	15,999	--		89,081	120,980
Transfers to other funds	(83,859)	--	--	--		(8,621)	(92,480)
Net Other Financing Sources (Uses)	(77,859)	15,900	15,999	--		85,460	39,500
Net Change in Fund Balance	(84,637)	196,365	(65,494)	--		14,272	60,506
Fund Balance at Beginning of Period, as previously presented	361,322	489,138	143,457	609,091	202,188	1,232,621	2,894,360
Change within Financial Reporting Entity	--	--	143,457	(609,091)	(202,188)	667,822	--
Fund Balance at Beginning of Period, as adjusted	361,322	489,138	143,457	--	--	1,900,443	2,894,360
Fund Balance at End of Period	276,685	685,503	77,963	--	--	1,914,715	2,954,866

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

City of Wabasso
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ 60,506
Capital assets expensed as capital outlay in governmental fund statements, capitalized as capital assets in Statement of Net Position.	601,323
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.	(1,802)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	145,883
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(41,872)
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(302,873)
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements.	1,801
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	(3,140)
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	9,061
Changes in Net Position-Governmental Funds	\$ <u>468,889</u>

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

**City of Wabasso
Statement of Net Position
Proprietary Funds
December 31, 2024**

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 70,526	\$ 591,803	\$ 71,302	\$ 733,631
Accounts Receivable	26,941	38,391	8,904	74,236
Grant Receivable	329,027	--	--	329,027
Inventory	--	--	200	200
Special Assessments Receivable	118	1,025	--	1,143
Current due from other funds	--	113,591	101	113,692
Total Current Assets	426,612	744,810	80,507	1,251,929
<i>Noncurrent Assets</i>				
Special Assessments - Deferred	15,007	130,555	--	145,562
Non-Depreciable	4,323	163,067	--	167,390
Depreciable, Net	8,235,359	2,073,245	--	10,308,604
Total Assets	8,681,301	3,111,677	80,507	11,873,485
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Resources	6,118	6,118	--	12,236
Total Deferred Outflows of Resources	6,118	6,118	--	12,236
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	364,307	12,753	7,028	384,088
Retainage Payable	332,253	--	--	332,253
Accrued Wages and Salaries Payable	400	400	--	800
Accrued Interest Payable	104,762	45,382	--	150,144
Notes Payable-Due within one year	4,536	39,464	--	44,000
Current due to other funds	90,197	--	--	90,197
Total Current Liabilities	896,455	97,999	7,028	1,001,482
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	507	507	--	1,014
Net Pension Liability	11,728	11,728	--	23,456
Notes Payable-Due beyond one year	4,553,890	1,469,110	--	6,023,000
Total Liabilities	5,462,580	1,579,344	7,028	7,048,952
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Resources	7,947	7,947	--	15,894
Total Deferred Inflows of Resources	7,947	7,947	--	15,894
NET POSITION				
Net Investment in Capital Assets	3,681,253	727,739	--	4,408,992
<i>Unrestricted</i>	(464,361)	802,765	73,479	411,883
Total Net Position	\$ 3,216,892	\$ 1,530,504	\$ 73,479	\$ 4,820,875

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

City of Wabasso
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$ 270,045	\$ 231,703	\$ 94,419	\$ 596,167
Total Operating Revenues	<u>270,045</u>	<u>231,703</u>	<u>94,419</u>	<u>596,167</u>
Operating Expenses				
Salaries	27,894	27,901	--	55,795
Payroll Taxes and Benefits	8,069	8,130	--	16,199
Supplies and Chemicals	8,511	48,132	--	56,643
Contracted Services	28,658	51,654	48,381	128,693
Insurance	5,344	--	--	5,344
Repairs and Maintenance	8,383	6,440	--	14,823
Utilities	37,305	16,511	--	53,816
Testing Fees	7,805	304	--	8,109
Gas and Oil	1,562	1,562	--	3,124
Miscellaneous	2,807	9,286	710	12,803
Depreciation	141,882	156,693	--	298,575
Sales Tax	--	3,015	4,926	7,941
Dues	1,450	754	--	2,204
Connection Fees	--	4,943	--	4,943
Total Operating Expenses	<u>279,670</u>	<u>335,325</u>	<u>54,017</u>	<u>669,012</u>
Operating Income (Loss)	<u>(9,625)</u>	<u>(103,622)</u>	<u>40,402</u>	<u>(72,845)</u>
Non-Operating Revenues (Expenses)				
Special Assessments	805	6,941	--	7,746
Federal Grants and Aids	1,024,581	--	--	1,024,581
State Grants and Aids	1,938,041	--	--	1,938,041
Other Revenue	--	25,225	--	25,225
Interest Income	--	290	--	290
Interest Expense	(104,874)	(45,490)	--	(150,364)
Debt Issuance Costs	--	(165)	--	(165)
Pension (Expense) Recovery	1,133	1,133	--	2,266
Net Non-Operating Revenues (Expenses)	<u>2,859,686</u>	<u>(12,066)</u>	<u>--</u>	<u>2,847,620</u>
Income Before Contributions and Transfers	<u>2,850,061</u>	<u>(115,688)</u>	<u>40,402</u>	<u>2,774,775</u>
Transfers from other funds	--	--	--	--
Transfers to other funds	(28,500)	--	--	(28,500)
Change In Net Position	<u>2,821,561</u>	<u>(115,688)</u>	<u>40,402</u>	<u>2,746,275</u>
<i>Net Position at Beginning of Period</i>	395,331	1,646,192	33,077	2,074,600
Net Position at End of Period	<u>\$ 3,216,892</u>	<u>\$ 1,530,504</u>	<u>\$ 73,479</u>	<u>\$ 4,820,875</u>

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

City of Wabasso
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	<u>Business-type Activities- Enterprise Funds</u>			
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities:				
Net Cash Provided (Used) by Operating Activities				
Cash Received From Customers	\$ 263,525	\$ 252,283	\$ 94,420	\$ 610,228
Cash Paid to Employees	(27,894)	(27,901)	-	(55,795)
Cash Paid for Goods and Services	(118,207)	(149,989)	(53,378)	(321,573)
Net Cash Provided (Used) by Operating Activities	117,424	74,393	41,042	232,860
Cash Flows from Non-Capital Financing Activities:				
Cash Received from Special Assessments	3,379	29,321	-	32,700
Cash Paid for Due to Other Funds	(529,000)	529,000	-	-
Operating Transfers In (Out)	(28,500)	-	-	(28,500)
Net Cash from Non-Capital Financing Activities	(554,121)	558,321	-	4,200
Cash Flows from Capital and Related Financing Activities:				
Federal and State Grants	2,633,595	-	-	2,633,595
Proceeds from Notes and Bonds	4,385,000	-	-	4,385,000
Acquisition of Capital Assets	(6,462,251)	(163,067)	-	(6,625,318)
Principal Paid on Debt	(43,330)	(37,670)	-	(81,000)
Interest Paid on Debt	(5,791)	(46,534)	-	(52,325)
Net Cash Provided (Used) by Capital and Related Financing Activities	507,223	(247,271)	-	259,952
Cash Flows from Investing Activities:				
Interest Income	-	290	-	290
Net Cash Provided (Used) by Investing Activities	-	290	-	290
Net Increase (Decrease) in Cash and Cash Equivalents	70,526	385,733	41,042	497,302
Cash and Cash Equivalents - Beginning of Year	0	206,070	30,260	236,330
Cash and Cash Equivalents - End of Year	\$ 70,526	\$ 591,803	\$ 71,302	\$ 733,631
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (9,625)	\$ (103,622)	\$ 40,402	\$ (72,845)
Other Revenues	-	25,225	-	25,226
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	141,882	156,693	-	298,575
Changes in Assets and Liabilities:				
Accounts Receivable	(6,520)	(4,645)	(5,467)	(16,632)
Accounts Payable, excluding CIP	(8,313)	742	6,107	(1,464)
Net Cash Provided (Used) by Operating Activities	\$ 117,424	\$ 74,393	\$ 41,042	\$ 232,860
Noncash Capital Activities				
Construction in Progress through Accounts Payable	\$ 691,850	\$ -	\$ -	\$ 691,850

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

**City of Wabasso
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024**

	Private Purpose Trust
	Perpetual Care Fund
ASSETS	
Cash and Cash Equivalents	\$ 47,433
<i>Total Assets</i>	<i>47,433</i>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Deferred Outflows of Resources</i>	<i>--</i>
LIABILITIES	
<i>Total Liabilities</i>	<i>--</i>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
<i>Total Deferred Inflows of Resources</i>	<i>--</i>
NET POSITION	
<i>Total Net Position</i>	<i>47,433</i>

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

City of Wabasso
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024

	Private Purpose Trust
ADDITIONS	Perpetual Care Fund
<i>Investment Earnings</i>	
Investment Earnings	\$ 933
<i>Net Investment Earnings</i>	933
<i>Total Additions</i>	933
DEDUCTIONS	
<i>Total Deductions</i>	--
<i>Net Increase (Decrease) in Net Position</i>	933
<i>Net Position at Beginning of Period</i>	46,500
<i>Net Position at End of Period</i>	\$ 47,433

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local and County Revenue				
General Property Taxes	\$ 392,349	\$ 392,349	\$ 408,919	\$ 16,570
EDA Levy	5,000	5,000	--	(5,000)
Special Assessments	1,000	--	--	--
Franchise Tax	1,100	1,138	1,138	--
Licenses and Permits	4,150	4,170	3,940	(230)
Intergovernmental Revenue				
Local Government Aid	269,482	269,482	269,482	--
Market Value Assistance	500	500	388	(112)
Fire State Aid	54,320	54,320	25,010	(29,310)
PERA Increase Aid	1,000	1,000	--	(1,000)
Other State Aid	17,500	17,500	16,328	(1,172)
Fines and Forfeits	2,000	400	1,047	647
Summer Recreation Fees	300	--	--	--
Community Center Rent and Fees	15,300	14,900	12,600	(2,300)
Community Center Donations	3,000	--	--	--
Donations	15,000	15,000	25,000	10,000
Interest Income	5,000	--	3,941	3,941
Refunds and Reimbursements	11,253	20,000	22,251	2,251
Miscellaneous Revenue	3,000	3,800	3,957	157
Total Revenues	<u>801,254</u>	<u>799,559</u>	<u>794,001</u>	<u>(5,558)</u>
Other Financing Sources				
Gain (Loss) on Sale of Capital Assets	--	6,000	6,000	--
Insurance Proceeds	--	--	8,215	8,215
Total Revenues and Other Financing Sources	<u>801,254</u>	<u>805,559</u>	<u>808,216</u>	<u>2,657</u>

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund - Continued
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government				
Mayor and Council				
Mayor and Council Salaries	8,000	8,000	8,600	(600)
Payroll Taxes	556	556	658	(102)
Dues	450	450	--	450
Financial Administration				
Clerk-Treasurer Salaries and Wages	75,855	84,748	86,316	(1,568)
Payroll Taxes	11,517	13,762	14,081	(320)
Employee Retirement	5,689	6,356	6,474	(118)
Dues	1,800	1,800	439	1,361
Telephone	2,700	2,814	2,869	(55)
Supplies and Materials	1,025	2,658	2,816	(158)
Postage	500	1,462	1,553	(91)
Printing and Publishing	846	116	259	(143)
Repairs and Maintenance	446	18	18	0
Equipment Rental	900	1,371	1,347	24
Miscellaneous	9,092	30,585	30,963	(378)
Engineering	2,500	4,889	3,435	1,454
Insurance and Bond	10,557	11,150	11,150	--
Miscellaneous	1,250	11,468	11,902	(434)
Assessor Fees	4,500	5,388	5,388	--
Professional Services	30,000	31,000	33,080	(2,080)
Municipal Building				
Salaries and Wages	7,710	--	--	--
Payroll Taxes	1,055	--	--	--
Electricity	10,300	7,447	8,451	(1,004)
Heating Gas	6,200	3,459	6,830	(3,371)
Supplies	6,100	6,475	9,273	(2,798)
Repairs and Maintenance	7,950	5,652	6,242	(590)
Insurance	4,294	4,547	4,547	--
Miscellaneous	590	570	570	--
Capital Outlay	95,000	95,000	146,264	(51,264)

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund - Continued
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Service Contract	36,660	41,257	36,660	4,597
Fireman's Relief Association	16,266	18,025	25,010	(6,985)
Public Works				
Salaries and Wages	53,970	88,189	82,455	5,734
Payroll Taxes	5,889	41,077	15,949	25,128
Employee Retirement	3,818	5,459	5,587	(128)
Employee Benefits	--	4,255	--	4,255
Supplies	4,000	4,145	4,814	(669)
Gas and Oil	7,000	8,303	7,977	326
Uniforms	300	300	300	--
Repairs and Maintenance	29,500	57,319	58,065	(746)
Street Lighting	12,000	10,738	10,899	(161)
Gas for Shop	6,000	2,601	1,315	1,286
Miscellaneous	--	499	499	--
Telephone	--	466	765	(300)
Shop Electricity	2,500	--	--	--
Shop Supplies	12,300	18,405	18,291	114
Street Repairs	97,500	25,498	21,114	4,384
Capital Lease-Principal	10,691	25,000	16,954	8,046
Capital Lease-Interest	--	--	5,354	(5,354)
Capital Outlay	61,000	56,782	54,595	2,187
Culture and Recreation				
City Park				
Salaries and Wages	719	--	--	--
Payroll Taxes	55	--	--	--
Employee Retirement	54	--	--	--
Supplies and Materials	770	3,330	3,274	56
Utilities	300	362	395	(33)
Repairs and Maintenance	3,818	1,156	2,049	(893)
Summer Recreation				
Supplies and Materials	3,300	3,262	3,262	--

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund - Continued
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Athletic Field				
Salaries and Wages	4,343	--	--	--
Payroll Taxes	428	--	--	--
Supplies and Materials	1,850	1,638	5,200	(3,562)
Electricity	650	915	1,156	(241)
Repairs and Maintenance	190	242	327	(85)
Insurance	2,333	--	--	--
Miscellaneous	230	222	223	(1)
Capital Outlay	7,500	3,885	--	3,885
Baseball Field				
Salaries and Wages	1,144	--	--	--
Payroll Taxes	130	--	--	--
Maintenance	3,000	8,573	8,331	242
Supplies	1,200	1,922	1,631	291
Repairs and Maintenance	318	989	743	246
Capital Lease-Principal	7,589	7,589	5,928	1,661
Capital Lease-Interest	--	--	1,661	(1,661)
Insurance	2,814	4,686	4,686	--
Other Expenditures				
Other Expenditures	22,741	17,741	--	17,741
Total Expenditures	<u>732,252</u>	<u>806,567</u>	<u>808,994</u>	<u>(2,427)</u>
Other Financing Uses				
Transfers to other funds	110,859	110,949	83,859	27,090
Total Expenditures and Other Financing Uses	<u>843,111</u>	<u>917,516</u>	<u>892,853</u>	<u>24,663</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(41,857)</u>	<u>(111,957)</u>	<u>(84,637)</u>	<u>27,320</u>
Net Change in Fund Balance	<u>(41,857)</u>	<u>(111,957)</u>	<u>(84,637)</u>	<u>27,320</u>
Fund Balance at Beginning of Period	361,322	361,322	361,322	--
Fund Balance at End of Period	<u>\$ 319,465</u>	<u>\$ 249,365</u>	<u>\$ 276,685</u>	<u>\$ 27,320</u>

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Ambulance
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Grant Revenue	\$ --	\$ --	\$ 95,925	\$ 95,925
Service Fees	224,500	190,497	263,534	73,037
Township Association Fees	7,950	6,750	8,450	1,700
Interest Income	300	--	125	125
Donations	14,000	11,494	16,142	4,648
Miscellaneous Income	6,100	104	78	(26)
Total Revenues	<u>252,850</u>	<u>208,845</u>	<u>384,254</u>	<u>175,409</u>
Other Financing Sources				
Transfers from other funds	15,900	15,900	15,900	--
Total Revenues and Other Financing Sources	<u>268,750</u>	<u>224,745</u>	<u>400,154</u>	<u>175,409</u>
Expenditures				
Salaries	110,000	110,000	105,855	4,145
Payroll Taxes	16,876	21,428	21,231	197
Gas and Oil	5,500	4,448	4,375	73
Service Contract	12,000	11,941	11,254	687
Repairs and Maintenance	3,500	1,630	1,226	404
Supplies	16,300	11,771	12,837	(1,066)
Capital Outlay	4,700	3,305	--	3,305
Insurance	1,916	1,767	1,767	(0)
Employee Training	3,000	5,800	5,550	250
Utilities	6,900	4,005	5,057	(1,052)
Miscellaneous	40,550	12,878	13,437	(559)
ALS Intercept	20,000	23,940	21,200	2,740
Total Expenditures	<u>241,242</u>	<u>212,913</u>	<u>203,789</u>	<u>9,124</u>
Other Financing Uses				
Transfers to other funds	18,000	18,000	--	18,000
Total Expenditures and Other Financing Uses	<u>259,242</u>	<u>230,913</u>	<u>203,789</u>	<u>27,124</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9,508</u>	<u>(6,168)</u>	<u>196,365</u>	<u>202,533</u>
Net Change in Fund Balance	<u>9,508</u>	<u>(6,168)</u>	<u>196,365</u>	<u>202,533</u>
<i>Fund Balance at Beginning of Period</i>	489,138	489,138	489,138	--
Fund Balance at End of Period	<u>\$ 498,646</u>	<u>\$ 482,970</u>	<u>\$ 685,503</u>	<u>\$ 202,533</u>

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

City of Wabasso
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal Grants	\$ 177,000	\$ 179,928	\$ 177,524	\$ (2,404)
Grant Revenue	--	--	7,660	7,660
Service Fees	23,500	19,961	21,569	1,608
Miscellaneous Income	3,000	3,000	--	(3,000)
Donations	8,000	4,535	6,660	2,125
Total Revenues	<u>211,500</u>	<u>207,424</u>	<u>213,413</u>	<u>5,989</u>
Other Financing Sources				
Transfers from other funds	47,999	47,999	15,999	(32,000)
Total Revenues and Other Financing Sources	<u>259,499</u>	<u>255,423</u>	<u>229,412</u>	<u>(26,011)</u>
Expenditures				
Salaries	10,000	10,000	13,397	(3,397)
Payroll Taxes	765	765	1,025	(260)
Gas and Oil	2,500	91	198	(107)
Service Contract	400	459	2,431	(1,972)
Repairs and Maintenance	5,700	3,625	5,756	(2,131)
Supplies	4,700	10,797	12,024	(1,227)
Capital Outlay	207,320	197,320	241,432	(44,112)
Insurance	7,897	6,568	5,455	1,113
Employee Training	3,000	5,256	5,256	--
Utilities	4,900	4,536	4,933	(397)
Miscellaneous	12,000	2,640	2,999	(359)
Total Expenditures	<u>259,182</u>	<u>242,056</u>	<u>294,906</u>	<u>(52,850)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>259,182</u>	<u>242,056</u>	<u>294,906</u>	<u>(52,850)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	317	13,367	(65,494)	(78,861)
Net Change in Fund Balance	<u>317</u>	<u>13,367</u>	<u>(65,494)</u>	<u>(78,861)</u>
<i>Fund Balance at Beginning of Period</i>	143,457	143,457	143,457	--
Fund Balance at End of Period	<u>\$ 143,774</u>	<u>\$ 156,824</u>	<u>\$ 77,963</u>	<u>\$ (78,861)</u>

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has not chosen to do so.

The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Wabasso, Minnesota (the City) was founded in 1900 and is a municipal corporation, incorporated under the laws of the State of Minnesota, and governed under a charter adopted. The City was formed and operates pursuant to applicable Minnesota laws and statutes. The City operates under an elected Mayor and four member council form of government. The council has control over all activities related to the City of Wabasso. The City provides the following services: sanitation, recreation, public improvements, planning and zoning, and general administrative services.

These financial statements present the City (the primary government) and its components unit, the Wabasso Economic Development Authority. The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* to define the reporting entity. The City includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City's by appropriate activity to comprise the primary government presentation. The City's blended component unit consists of:

Wabasso Economic Development Authority – The City created an Economic Development Authority (EDA) by resolution of its governing board. The EDA is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the EDA is reported as if it were part of the primary government because its purpose is to approve the City's redevelopment plans. The EDA cannot issue bonded debt without the City's approval.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

The activities of the EDA are reported as a major special revenue fund in the Governmental Fund Financial Statements.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Related Organization

A related organization is excluded from the financial reporting entity. The City's accountability does not extend beyond the Mayor, Clerk-Treasurer and Fire Chief being ex officio members of the board. The related organization is as follows:

Wabasso Fire Relief Association – The Association is organized as a non-profit organization by its members to provide pension and other benefits to members in accordance with Minnesota statutes. The Association's Board of Directors consists of seven members elected by the membership of the Association and three ex officio members, the Mayor, Clerk-Treasurer and Fire Chief. All funding is obtained in accordance with Minnesota statutes whereby state aids and tax levies, which are determined by the Association, flow through the City to the Association. The Association pays benefits directly to its members.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Position and Statement of Activities) report information on all activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. They include all funds of the reporting entity except for fiduciary funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues subject to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column on the fund financial statements.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The City maintains ambulance, fire, cemetery, library, economic development, and small cities development (SCDG) special revenue funds.

Debt Service Funds - The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

Capital Projects Funds - The Capital Projects Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for the construction of a specific project.

Proprietary Funds:

Enterprise Funds – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains water, sewer, storm sewer and garbage funds.

Fiduciary Funds:

Private Purpose Trust Fund – A Private Purpose Trust Fund is used to report trust arrangements, other than pension and investment trust, under which principal and income benefit individuals, private organizations, or other governments. The Perpetual Care Fund qualifies as a Fiduciary Fund, and is presented as such.

The City reports the following major governmental funds:

- General Fund – City's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.
- Ambulance Fund – accounts for the operations of the ambulance department.
- Fire Fund – accounts for the operations of the fire department.

The City reports the following major proprietary funds:

- Water Fund – accounts for the operations of the City's water system.
- Sewer Fund – accounts for the operations of the City's sewer system.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's enterprise funds 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 charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE

Deposits and Investments

The City recognizes cash currency on hand and demand deposits with banks or other financial institutions as cash. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposits, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

The City recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

The City does not have any investments as of December 31, 2024.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade (utility) and property tax receivables are shown at a gross amount, since both taxes and trade (utility) receivable are assessable to the property taxes and are collectible upon sale of the assessed property.

The City levies its property tax for the subsequent year during the month of October. Property taxes attach as an enforceable lien on property as of January 1. Revenues are accrued and recognized in the year collectible.

December 31 is the last day the City can certify a tax levy to the County Auditor for collection the following year. The County Auditor makes up the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City. Assessments receivable consist of the portion of improvements made by the City and charged against the properties affected.

These assessments are payable with interest over a period of years. The County Auditor remits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January each year. The County Treasurer mails copies of all real estate and personal property tax statements.

Receivables related to economic development and small cities development are recognized as earned and are further discussed in Note 3.C.

Real property taxes may be paid in two equal installments. The first payment is due on May 15 for both non-agricultural and agricultural property and the second payment is due on October 15 for non-agricultural property and November 15 for agricultural property. Personal property taxes may be paid on May 15 and October 15. The County is the collection agent for the levy. The County provides tax settlements to cities and other taxing districts three times a year in January, June, and December. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Portions of the tax levy paid by the state in the form of market value assistance are included in intergovernmental revenue. Only that portion collected directly from property owners is reflected in tax revenue. Delinquent property taxes are deferred and recognized when received or in the hands of the collection agency in the fund financial statements since they do not constitute “available spendable resources”. In the government-wide financial statements, under the accrual basis of accounting, they are recognized as revenues since they are earned. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

Inventories

Inventory is valued at lower of cost or market using the first-in, first-out method. The City maintains garbage bags as inventory. The cost of other consumable materials and supplies on hand are immaterial to the financial statements and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts.

Capital Assets

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets (i.e., roads, bridges, sidewalks, drainage, and similar items), and intangible assets (i.e. internally generated computer software) are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

GASB No. 34 required that the City report and depreciate new infrastructure assets effective fiscal year ending December 31, 2004. Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to December 31, 2003, were not required to be capitalized by the City. These infrastructure assets are likely to be the largest asset class of the City. Neither the historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for cities of this size. The City has elected not to record infrastructure values retroactively as allowed by accounting principles generally accepted in the United States of America.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the City as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position.

Capital assets of the enterprise funds are capitalized in the funds.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements and in the enterprise fund financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

Land	Not Depreciated
Infrastructure	15-65 Years
Buildings	10-50 Years
Improvements	15-50 Years
Machinery and Equipment	3-20 Years

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Deferred Outflows/Inflows of Resources

The City of implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently recognizes deferred outflows relating to pensions for reporting in this category. The length of the expense recognition period for deferred amounts related is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The items that qualify for reporting in this category are unearned property taxes, amounts related to pensions and unearned notes receivable. These amounts are deferred and recognized as inflows of resources in the period that the amount is earned. Deferred amounts relating to pensions represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premium and discounts, as well as issuance costs, are recognized as an outflow of resources and expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and expensed in the period they are incurred.

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Compensated Absences

The City’s policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as accrued expenses in the government-wide financial statements and the proprietary fund types. In the governmental funds of the fund financial statements, vacation pay is recorded as an expenditure and accrued as a current liability only if they have matured, for example, as a result of employee’s resignations and retirements.

Every full-time employee will be provided with the following vacation on January 1 each year:

<u>Years of Service</u>	<u>Amount of Leave</u>
1	40 hours
2	80 hours
6	120
10+	160 hours

Fund Balance Classifications

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – Consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Fund Balance Classifications (Continued)

- Committed fund balance – Consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City Council removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance – Consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- Unassigned fund balance – Consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

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

The City Council has formally adopted a fund balance policy for the General Fund. The City should maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2024, the unassigned fund balance of the General Fund was 0% of the subsequent year's budgeted expenditures.

Net Position Classifications

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net Position is displayed in three components:

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

E. USE OF ESTIMATES

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. BUDGETARY INFORMATION

Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City Council adopts the proposed budget as amended and adjusted by the Council and certifies the proposed property tax levy to the County Auditor according to Minnesota statutes.

On or before December 31, the final budget is legally enacted by Council resolution and the final property tax levy certified to the County Auditor.

The City has legally adopted budgets for the General fund and certain special revenue funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, charges for services, and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the Capital Projects and Debt Service funds. Project length financial plans are adopted for the Capital Projects funds. Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Budgets for the General and certain special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. There were amendments to the 2024 budget.

G. ENCUMBRANCES

The City does not utilize encumbrance accounting.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. PENSIONS

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. Pension expense related to GASB 68 is split 80% general and 10% to each water and sewer.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following fund had excess expenditures over appropriations:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General	\$806,567	\$808,994	\$2,427
Fire	\$242,056	\$294,906	\$52,850

B. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2024:

Small Cities Fund	\$1,263
TIF District No. 1-3	\$6,668
2017A Tax Abatement Note	\$25,501

C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Minnesota Statutes §475.53, subd. 3 limits the amount of outstanding general obligation bonded debt of the municipality. The City complies with such laws.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. FUND BALANCE CLASSIFICATION

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

	General Fund	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Ambulance	Fire		
Nonspendable:					
Prepaid Items	\$ 5,746	\$ 194	\$ 389	\$ -	\$ 6,329
Notes Receivable	-	-	-	272,681	272,681
Restricted:					
Capital Projects	-	-	-	115,150	115,150
Debt Service	-	-	-	388,683	388,683
Committed:					
Equipment	-	54,000	-	-	54,000
Assigned:					
Capital Improvements	270,939	-	-	-	270,939
Special Revenue	-	631,309	77,574	1,171,633	1,880,516
Unassigned	-	-	-	(33,432)	(33,432)
Total Fund Balances	\$ 276,685	\$ 685,503	\$ 77,963	\$ 1,914,715	\$ 2,954,866

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a pooled cash and investment portfolio that is used by substantially all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved.

Investment income derived from the pooled funds is allocated to respective funds on the basis of applicable cash balance participation by each fund.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be insured, protected by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank and certificates of deposit. Minnesota statutes also require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have any deposit policies that would further limit deposit choices.

According to Minnesota Statutes, the aggregate of a municipality's time/savings accounts, NOW accounts, and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of a municipality's demand accounts, i.e., non-interest bearing and interest-bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the municipality's time/savings deposits. This separate \$250,000 coverage for checking accounts only applies if the depository is in the same state as the municipality.

Custodial Credit Risk – 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. Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$4,240,504 at December 31, 2024. The bank balance was fully insured by depository insurance or secured with collateral held by the City's agent in its name. The carrying amount of these deposits at December 31, 2024 was \$3,321,216, including fiduciary funds.

Investment Policy

The City has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to deposit and investment of operating funds which are managed within the City's pooled cash and investment portfolio. This policy sets for the City's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide to proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City's investment program as set forth by the investment policy is preservation of capital and protection of investment principal. Investment decisions are made under the assumption that except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy (Continued)

Separate investment policies or agreements may exist to address proceeds from certain bond issues or debt service funds in accordance with arbitrage rebate requirements.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a.) Direct obligations guaranteed by the United States or its agencies.
- b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c.) General obligations of the State of Minnesota or its municipalities.
- d.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- f.) Repurchase or reverse repurchase agreements and securities lending agreements with 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.
- g.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- h.) Guaranteed investment contract (GIC’s) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

The City does not have any investment policies that would further limit investment choices.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the City’s investment policy the City is required to mitigate its exposure to interest rate risk as follows:

- Purchasing a combination of shorter and longer term investments.
- Timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.
- Monitoring the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.
- Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.
- The average weighted maturity of the portfolio should not exceed three (3) years.
- Reserve funds may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with expected use of funds.

As of December 31, 2024, the City had no investments. The following table represents the City’s cash balances, including fiduciary funds, as of December 31, 2024.

<u>Cash/Cash Equivalent Type:</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percent of Total</u>	<u>Fair Value</u>
Cash	N/A	N/A	85%	2,816,698
CDs	N/A	N/A	15%	504,518
Total Cash and Cash Equivalents			100%	3,321,216

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the City limits their investment options to those authorized by the State of Minnesota as described above.

Concentrations of Credit Risk

The concentration of credit risk is the risk of loss to the magnitude of the City’s investments in a single issuer. The City places no limit on the amount that may be invested in any one issuer.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. As of December 31, 2024, all funds were properly insured pursuant to Minnesota Statutes.

B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable and special assessment receivable. No allowance for uncollectible accounts is deemed necessary at year end.

Accounts receivable of the governmental activities consists almost entirely of delinquent taxes, special assessments, and ambulance calls. Delinquent taxes have been offset by deferred inflows of resources for delinquent taxes not received within 60 days after year-end in the governmental fund financial statements. An allowance of 1/3 the balance of ambulance calls receivable has been established. During 2024, the balance of the allowance account increased \$30,172 to \$177,007.

C. NOTES RECEIVABLE

The Economic Development Authority of Wabasso has established the Economic Development Fund to provide low interest loans to assist business with economic development. As payments are made to the City from the various businesses, the City can issue more loans to local businesses. The loans have been collateralized and call for monthly payments of principal and interest. Interest rates range from 2.50-3.00%. Payments terms range from \$50 to \$3,886 per month.

The Small Cities Development Fund was also established to provide low interest loans to assist homeowners and businesses with rehabilitation. Grants from the State of Minnesota were received to assist low-income homeowners. The grant funds were actually disbursed by an outside agency with the payments also being made to the outside agency. The City will use these funds for additional loans in the future. The loans have been collateralized and call for periodic payments of principal and interest. In the fund financial statements, under the modified accrual basis of accounting, the loans have been completely offset by deferred inflows of resources. Therefore, no revenues will be recognized until the payments are actually received. In the government-wide financial statements, under the accrual basis of accounting, revenues are earned and therefore, recognized. Currently, the City has one residential loan outstanding and delinquent. The interest rate on this loan is 3%. Payment terms are \$89.84 per month.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. NOTES RECEIVABLE (Continued)

The following is a summary of notes receivable transactions for the year ended December 31, 2024:

	Balance 12/31/2023	Amount Advanced	Payments Received	Balance 12/31/2024
Economic Recovery Grant I	\$ 217,334	\$123,000	\$ 79,510	\$ 260,824
Economic Recovery Grant II	23,693	-	13,081	10,612
Small Cities Grant	7,505	-	-	7,505
Totals	<u>\$ 248,531</u>	<u>\$123,000</u>	<u>\$ 92,591</u>	<u>\$ 278,940</u>

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2024 is as follows:

Governmental Activities:	Balance 1-1-24	Additions	Deletions	Balance 12-31-24
Capital Assets Not Being Depreciated:				
Land	\$ 732,616	\$ -	\$ 2,140	\$ 730,476
Total Capital Assets Not Being Depreciated	732,616	-	2,140	730,476
Capital Assets Being Depreciated:				
Infrastructure	2,440,284	149,538	-	2,589,822
Land Improvements	642,027	-	-	642,027
Buildings	2,584,897	155,759	-	2,740,656
Equipment	1,881,378	313,026	32,000	2,162,404
Total Capital Assets Being Depreciated	7,548,586	618,323	32,000	8,134,909
Less Accumulated Depreciation for:				
Infrastructure	114,642	62,876	-	177,518
Land Improvements	279,966	29,249	-	309,215
Buildings	1,917,305	72,728	-	1,990,033
Equipment	1,154,569	138,020	14,000	1,278,589
Total Accumulated Depreciation	3,466,483	302,873	14,000	3,755,356
Total Capital Assets Being Depreciated, Net	4,082,104	315,450	18,000	4,379,554
Governmental Capital Assets, Net	\$ 4,814,720	\$ 315,450	\$ 20,140	\$ 5,110,030

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Business-Type Activities:	Balance 1-1-24	Additions	Deletions	Balance 12-31-24
Capital Assets Not Being Depreciated:				
Land	\$ 4,323	\$ -	\$ -	\$ 4,323
Work in Progress	665,820	163,067	665,820	163,067
Total Capital Assets Not Being Depreciated	670,143	163,067	665,820	167,390
 Capital Assets Being Depreciated:				
Infrastructure	3,922,326	7,775,635	-	11,697,962
Buildings and Improvements	372,733	-	-	372,733
Equipment	588,395	-	-	588,395
Total Capital Assets Being Depreciated	4,883,455	7,775,635	-	12,659,090
 Less Accumulated Depreciation				
Infrastructure	1,717,998	244,751	-	1,962,749
Building	219,291	11,168	-	230,459
Equipment	114,623	42,655	-	157,278
Total Accumulated Depreciation	2,051,912	298,574	-	2,350,486
Total Capital Assets Being Depreciated, Net	2,831,543	7,477,061	-	10,308,604
Business-Type Activity Capital Assets, Net	\$ 3,501,686	\$ 7,640,128	\$ 665,820	\$ 10,475,994

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Depreciation Expense was charged to functions/programs as follows as of December 31, 2024:

Governmental Activities:

General Government	\$ 2,835
Municipal Building	47,345
Public Safety-Fire	37,309
Public Works	79,530
Health and Welfare-Ambulance	25,273
Library	7,857
Parks and Recreation	21,836
Economic Development Authority	18,012
Infrastructure	62,876
Total	<u>\$ 302,873</u>

Business-Type Activities:

Water	\$ 156,693
Sewer	141,882
Garbage	-
Total	<u>\$ 298,575</u>

E. ACCOUNTS PAYABLE

Payables in the general, major governmental funds and enterprise funds are composed almost entirely of payables to vendors.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES

Description of Long-Term Debt

Long-term debt is comprised of the following as of December 31, 2024:

<u>Issue</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
Governmental Activities:				
GO Tax Increment Refunding Bonds of 2010A	555,000	2/1/26	1.25-3.75%	\$ 95,000
GO Revenue Refunding Bonds of 2013A	465,000	2/1/26	1.00-3.10%	95,000
GO Tax Abatement Note, Series 2017A	425,000	2/1/34	3.30%	305,000
GO Revenue Bond of 2022A	1,013,000	5/1/42	4.00%	1,005,000
Financing Lease - 2018	58,421	1/29/28	4.95%	26,871
Financing Lease - 2023	92,309	7/1/28	6.90%	75,354
Total Governmental Activities				<u>1,602,226</u>
Business Type Activities:				
GO Water Revenue Bonds of 2010	2,145,000	1/1/50	3.00%	1,682,000
GO Sewer Revenue Bond Anticipation 2023A	2,936,000	3/1/25	4.85%	2,936,000
GO Sewer Revenue Bond Anticipation 2024A	1,449,000	3/1/25	5.25%	1,449,000
Total Business-Type Activities				<u>6,067,000</u>
Total Outstanding Long-term Debt				<u>\$ 7,669,226</u>

General Obligation Tax Increment Refunding Bond of 2010A

On November 1, 2010, the City issued the tax increment refunding bond payable in semi-annual installments. Payments include interest at 1.25-3.75% interest and is due February 1, 2026. The bonds are backed by the full faith, credit and taxing power of the City.

General Obligation Revenue Refunding Bonds of 2013A

This revenue refunding bond was issued on December 1, 2013 to provide for the acquisition and construction of major capital improvements. The bond has semi-annual installments. Each installment includes 1.00-3.10% interest and is due February 1, 2026. General obligation revenue bonds are direct obligations and pledge the full faith and credit, and taxing power of the City.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES (Continued)

General Obligation Water Revenue Bonds of 2010

This water revenue bond was issued on November 30, 2010 and is payable in annual installments. Each installment includes interest at a rate of 3.00% and is due January 1, 2050. This bond is recorded as liabilities in both the water and sewer funds with 89.69% allocated to water and 10.31% allocated to sewer. The bonds are payable from revenues derived from the operations of those utilities and are backed by the full faith, credit and taxing power of the City.

General Obligation Tax Abatement Note, Series 2017A

This note was issued June 26, 2017 and is payable in annual installments starting in 2020. These payments will be made out of the debt service fund and include an interest rate of 3.30% and is due February 1, 2034. This note is backed by the full faith, credit and taxing power of the City.

General Obligation Revenue Bond, Series 2022A

This note was issued May 1, 2022 and is payable in annual installments starting in 2024. These payments will be made out of the debt service fund and include an interest rate of 4.00% and is due May 1, 2042. This note is backed by the full faith, credit and taxing power of the City.

General Obligation Sewer Revenue Bond Anticipation, Series 2023A and 2024A

These bonds were issued on March 21, 2024 and are payable in full on March 1, 2025 at which time they will be refinanced with USDA loans. These payments will be made out of the sewer fund and include an interest rate of 4.85 and 5.25%, respectively. This note is backed by the full faith, credit and taxing power of the City.

Finance Lease Payable

The City entered into a lease accounted for as a finance lease during 2018 to obtain lights for the baseball field. The finance lease is payable in annual payments which includes interest at a rate of 4.95%. The lease is due on January 29, 2028. Depreciation expense related to this asset for 2024 was \$3,236.

Finance Lease Payable

The City entered into a lease accounted for as a finance lease during 2021 to obtain a utility cab tractor and farm loader. This asset was traded during 2023 with the corresponding lease paid off and a new finance lease was entered into. The new finance lease is payable in annual payments which includes interest at a rate of 6.9%. The lease is due on July 1, 2028. The capital asset associated with the lease is recorded in the government-wide financials. Depreciation expense related to this asset for 2024 was \$38,100.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES (Continued)

Minimum Debt Payments

Minimum annual principal and interest payments to retire debt are as follows:

Finance Leases

Year	Principal	Interest	Total
2025	\$ 23,170	\$ 7,629	\$ 30,799
2026	24,692	5,666	30,358
2027	26,316	3,582	29,898
2028	28,048	1,849	29,898
Total	<u>\$ 102,226</u>	<u>\$ 18,726</u>	<u>\$ 120,952</u>

Governmental GO Bonds

Year	Principal	Interest	Total
2025	\$ 129,000	\$ 45,166	\$ 174,166
2026	141,000	40,353	181,353
2027	42,000	37,000	79,000
2028	44,000	35,320	79,320
2029	46,000	33,560	79,560
2030-2034	259,000	138,680	397,680
2035-2039	314,000	82,680	396,680
2040-2042	220,000	17,800	237,800
Total	<u>\$ 1,195,000</u>	<u>\$ 85,519</u>	<u>\$ 1,625,559</u>

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES (Continued)

Governmental Note

Year	Principal	Interest	Total
2025	\$ 26,000	\$ 9,636	\$ 35,636
2026	27,000	8,762	35,762
2027	28,000	7,854	35,854
2028	29,000	6,914	35,914
2029	30,000	5,940	35,940
2030-2034	165,000	13,365	178,365
Total	<u>\$ 305,000</u>	<u>\$ 52,470</u>	<u>\$ 357,470</u>

Business-Type GO Bonds

Year	Principal	Interest	Total
2025	\$ 44,000	\$ 50,598	\$ 94,598
2026	115,463	142,274	257,737
2027	117,954	139,433	257,387
2028	121,477	136,530	258,007
2029	124,033	133,657	257,690
2030-2034	668,680	620,221	1,288,901
2035-2039	754,851	533,251	1,288,102
2040-2044	852,940	434,611	1,287,551
2045-2049	966,498	322,654	1,289,152
2050-2054	699,139	212,576	911,715
2055-2059	675,547	142,438	817,985
2060-2064	750,484	67,501	817,985
2065	175,933	3,787	179,720
Total	<u>\$ 6,067,000</u>	<u>\$ 2,939,531</u>	<u>\$ 9,006,531</u>

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

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

	<u>12/31/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/24</u>	<u>Due in One Year</u>
Governmental Activities:					
GO Tax Increment Refunding Bonds of 2010A	\$ 140,000	-	\$ 45,000	\$ 95,000	\$ 45,000
GO Revenue Refunding Bonds of 2013A	140,000	-	45,000	95,000	45,000
GO Tax Abatement Note, Series 2017A	330,000	-	25,000	305,000	26,000
GO Improvement, Series 2022A	1,013,000	-	8,000	1,005,000	39,000
Capital Lease Payable - 2018	32,800	-	5,928	26,871	6,229
Capital Lease Payable - 2023	92,309	-	16,954	75,354	16,941
Compensated Absences (net change)	<u>2,618</u>	<u>1,802</u>	<u>-</u>	<u>4,420</u>	<u>-</u>
Total Governmental Activities	<u>1,750,726</u>	<u>1,802</u>	<u>145,883</u>	<u>1,606,645</u>	<u>178,170</u>
Business-Type Activities:					
GO Water Revenue Bonds of 2010	1,724,000	-	42,000	1,682,000	44,000
GO Sewer System Note, Series 2016A	39,000	-	39,000	-	-
GO Sewer Revenue Bond Anticipation 2023A	-	2,936,000	-	2,936,000	-
GO Sewer Revenue Bond Anticipation 2024A	-	1,449,000	-	1,449,000	-
Compensated Absences (net change)	<u>1,014</u>	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>-</u>
Total Business-Type Activities	<u>1,764,014</u>	<u>4,385,000</u>	<u>81,000</u>	<u>6,068,014</u>	<u>44,000</u>
Total Outstanding Long-term Debt	<u>\$3,514,741</u>	<u>\$4,386,802</u>	<u>\$ 226,883</u>	<u>\$7,674,660</u>	<u>\$ 222,170</u>

Repayment of principal and interest maturities are made from the funds associated with the debt. Finance leases payable are liquidated by the general fund. Also, for governmental activities, compensated absences and pension obligations are generally liquidated by the general fund.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2024 were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	
Sewer Fund	2013A Refunding	\$ 28,500	Debt Payment
Economic Recover II	EDA General Fund	519	Transfer Interest
Economic Recover I	EDA General Fund	8,102	Transfer Interest
General Fund	EDA General Fund	5,000	Operating
General Fund	Ambulance Fund	15,900	Operating
General Fund	Library Fund	46,960	Operating
General Fund	Fire Fund	15,999	Operating/Contract
Total		<u>\$ 120,980</u>	

Reconciliation to Fund Financial Statements:	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds	\$ 120,980	\$ (92,480)
Enterprise Funds	-	(28,500)
Total Transfers	<u>\$ 120,980</u>	<u>\$ (120,980)</u>

Reconciliation to Statement of Activities:	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers/ Internal Activity</u>
Net Transfers for Governmental Activities			
Governmental Funds	\$ 120,980	\$ (92,480)	\$ 28,500
Net Transfers for Business-Type Activities	-	(28,500)	(28,500)

Interfund Balances

As of December 31, 2024, the following interfund balances were owed between funds and are expected to be paid back within one year or transfer balances to write amounts off:

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Library Fund	1,461	Overpayment on error corrections
Library Fund	General Fund	2,095	Error on IRS Payment
Economic Recovery Grant I	EDA General	31,154	Interest Earnings
Economic Recovery Grant II	EDA General	4,790	Interest Earnings
Economic Recovery Grant II	Economic Recovery Grant I	675	Deposit Error
Ambulance	General Fund	1,072	Deposit errors/Payroll withholdings
Ambulance	Garbage Fund	101	For expenses paid by wrong fund
General Fund	EDA General	1,195	Overpayment of interfund loan
2017A Tax Abatement	General Fund	25,501	To cover operating
TIF 1-3	General Fund	6,668	To cover operating
TIF 1-5	Water Fund	23,394	To cover operating
Sewer Fund	Water Fund	90,197	To cover operating, principal & interest
General	Fire	6,009	Training Reimbursement
Small Cities	General Fund	1,263	Deficit Cash
General	EDA General	20,720	Property Taxes
		<u>\$ 216,294</u>	

NOTE 4. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. BENEFITS PROVIDED

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than 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 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

C. CONTRIBUTIONS

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City’s contributions to the General Employees Fund for the years ended December 31, 2024, 2023, and 2022 were \$20,299, \$16,408, and \$12,771, respectively. The City’s contributions were equal to the required contributions as set by the state statute.

D. PENSION COSTS

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$117,266 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 to the fund in 2024. 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 association with the City totaled \$3,032.

City’s proportionate share of the net pension liability	\$117,266
State of Minnesota’s share of the net pension liability associated with the Entity	<u>3,032</u>
Total	\$120,298

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 0.0032% at the end of the measurement period and 0.0022% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$5,995 for its proportionate share of General Employees Plan’s pension expense. In addition, the City recognized an additional \$81 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$5,395 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. PENSION COSTS (Continued)

At December 31, 2024, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 9,908	\$ -
Changes in Actuarial Assumptions	397	34,451
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	39,678
Changes in Proportion	70,764	5,338
Employer Contributions Subsequent to the Measurement Date	10,108	-
Totals	<u>\$ 61,177</u>	<u>\$ 79,469</u>

\$10,108 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2024	(\$25,751)
2025	\$5,941
2026	\$400
2027	(\$8,988)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

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

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2024 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of nation investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjustment slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Pan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial evaluation.

The following changes in actuarial assumptions 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 WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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.

H. PENSION LIABILITY SENSITIVITY

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City’s proportionate share of the General Employees Fund net pension liability:	\$256,128	\$117,266	\$3,039

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.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. GASB STANDARDS IMPLEMENTED

GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. 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 participates in the League of Minnesota Cities Intergovernmental Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to participating cities if a deficiency occurs. The LMCIT is self-sustaining through member premiums and re-insures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

As of December 31, 2024, the City did not have any claims which were probable and measurable and therefore no liability was recorded in the financial statements presented. The City has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning authority, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as the result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of potential litigation cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

CITY OF WABASSO
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. OTHER INFORMATION (Continued)

C. FEDERAL AIDS – SINGLE AUDIT ACT

The City expended more than \$750,000 of federal financial assistance and must comply with audit requirements of the Single Audit Act and all other federal audit requirements.

D. CHANGES WITHIN THE FINANCIAL REPORTING ENTITY

During the year ended December 31, 2024, Cedar Street Improvement, a capital projects fund, and Ec Rec I, a special revenue fund, were reclassified from major funds to a nonmajor governmental funds due to changes in financial activity. This change reflects the fund's assets, liabilities, revenues, and expenditures no longer meet the quantitative thresholds for major fund reporting under GASB 34. Prior-year balances are presented as major for comparability.

NOTE 7. TAX INCREMENT FINANCING

Other - Tax Increment Financing District No. 1-3

Tax Increment Financing District No. 1-3, a redevelopment district, was established May 24, 1999 and amended February 14, 2000 pursuant to Minnesota Statute 469 to give the City authority to use tax increment financing as a funding source to reimburse property acquisition costs and public infrastructure improvements made by a developer. The City will pay eligible project costs via the pay-as-you-go method of reimbursing tax increments to the developer. In 2024, tax increments collected from the District were \$9,404.

Other – Tax Increment Financing District No. 1-5

Tax Increment District No. 1-5, a housing district, was established June 13, 2005 pursuant to Minnesota Statute 469.174, Subdivision 11, to give the City authority to promote the development of residential housing by reducing the cost of necessary public and private improvements. In 2024, tax increments collected from the District were \$70,815.

CITY OF WABASSO
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share (Amount) of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0032%	\$117,266	\$3,032	\$120,298	\$268,462	44.81%	89.10%
June 30, 2023	0.0022%	\$123,021	\$3,300	\$126,321	\$172,351	73.29%	83.10%
June 30, 2022	0.0022%	\$174,240	\$5,188	\$179,428	\$164,084	109.35%	76.70%
June 30, 2021	0.0027%	\$115,301	\$3,543	\$118,844	\$183,587	64.73%	87.00%
June 30, 2020	0.0029%	\$173,868	\$5,380	\$179,248	\$210,237	85.26%	79.10%
June 30, 2019	0.0032%	\$176,921	\$5,500	\$182,421	\$227,056	80.34%	80.20%
June 30, 2018	0.0030%	\$166,428	\$5,462	\$171,890	\$203,343	84.53%	79.50%
June 30, 2017	0.0031%	\$197,902	\$2,491	\$200,393	\$199,794	100.30%	75.90%
June 30, 2016	0.0031%	\$251,705	\$3,350	\$255,055	\$193,816	131.60%	68.90%
June 30, 2015	0.0030%	\$155,477	\$0	\$155,477	\$173,439	89.64%	78.20%

CITY OF WABASSO
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND

Fiscal Year <u>Ending</u>	Statutorily Required <u>Contribution (a)</u>	Contributions in Relation to the Statutorily Required <u>Contribution (b)</u>	Contribution Deficiency <u>(Excess) (a-b)</u>	Covered- Employee <u>Payroll (d)</u>	Contributions as a Percentage of Covered-Employee <u>Payroll (b/d)</u>
December 31, 2024	\$20,299	\$20,299	-	\$270,653	7.50%
December 31, 2023	\$16,408	\$16,408	-	\$218,773	7.50%
December 31, 2022	\$12,771	\$12,771	-	\$170,279	7.50%
December 31, 2021	\$12,685	\$12,685	-	\$169,128	7.50%
December 31, 2020	\$14,361	\$14,361	-	\$191,475	7.50%
December 31, 2019	\$16,761	\$16,761	-	\$223,475	7.50%
December 31, 2018	\$16,849	\$16,849	-	\$224,660	7.50%
December 31, 2017	\$14,935	\$14,935	-	\$199,131	7.50%
December 31, 2016	\$14,656	\$14,656	-	\$195,410	7.50%
December 31, 2015	\$14,279	\$14,279	-	\$190,387	7.50%

CITY OF WABASSO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent

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 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

2020 Changes

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.

CITY OF WABASSO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested 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 non-vested deferred member liability.
- The assumed post-retirement 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.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement 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%.

CITY OF WABASSO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

- 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.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement 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 WABASSO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FEDERAL AGENCY/PASS-THROUGH AGENCY/PROGRAM OR CLUSTER TITLE	Federal Assistance Listing	Federal Expenditures
<i>Direct Funding</i>		
U.S. Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 4,756,218
U.S. Department of Homeland Security		
Assistance to Firefighters Grants	97.044	\$ 177,524
 TOTAL FEDERAL AWARDS		 \$ 4,933,742

See notes to schedule of expenditures of federal awards.

CITY OF WABASSO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2024

NOTE 1 - BASIS OF PRESENTATION

This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of City of Wabasso, Minnesota under programs of the federal government for the year ended December 31, 2024. 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 City of Wabasso, Minnesota, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of City of Wabasso, Minnesota.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – DE MINIMIS INDIRECT COST RATE

City of Wabasso, Minnesota has not elected to use the 10% de minimis cost rate, as allowed under Uniform Guidance



Kinner & Company Ltd
Certified Public Accountants

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

Honorable Mayor and Members of the Council
City of Wabasso
Wabasso, Minnesota 56293

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 major fund, and the aggregate remaining fund information of the City of Wabasso, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Wabasso, Minnesota's basic financial statements and have issued our report thereon dated July 25, 2025.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Prior and Current Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Prior and Current Findings and Responses, as items 2024-001 and 2024-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wabasso, Minnesota'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 determination of financial statement amounts. 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*.

City of Wabasso, Minnesota's Response to Findings

City of Wabasso, Minnesota's response to the findings identified in our audit is described in the accompanying Schedule of Prior and Current Findings and Responses. City of Wabasso, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that City of Wabasso 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, 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.

Purpose of Report

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

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants

July 25, 2025



Kinner & Company Ltd
Certified Public Accountants

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

Honorable Mayor and Members of the Council
City of Wabasso
Wabasso, Minnesota 56293

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Wabasso, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Wabasso, Minnesota's major federal program for the year ended December 31, 2024. City of Wabasso, Minnesota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

722 Main Street, PO Box 186, Wabasso, MN 56293
507-342-5126, fax 507-342-2376
Visit our website at www.kinner.co

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 controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Wabasso, Minnesota's federal programs.

Auditor's Responsibility 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 City of Wabasso, Minnesota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* will always detect 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 City of Wabasso, Minnesota's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Wabasso, Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Wabasso, Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of City of Wabasso, Minnesota'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.

Other Matters

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

Report on Internal Control over Compliance

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
Tracy, MN

July 25, 2025

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies not considered to be material weaknesses	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No
---	----

Identification of Major Programs:

Name of Federal Program	Federal Assistance Listing Number
-------------------------	-----------------------------------

CITY OF WABASSO
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024

Section I- Financial Statement Findings

STATUS OF PRIOR AUDIT RECOMMENDATIONS

2023-001: A material weakness was reported due to the lack of segregation of duties within the organization. The finding continues to exist and has been restated as Finding 2024-001.

2023-002: A material weakness was reported because the City was unable to provide accurate financial information. We proposed material adjustments. The finding continues to exist and has been restated as Finding 2024-002.

CITY OF WABASSO
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024

CURRENT AUDIT FINDING(S) AND RECOMMENDATION(S)

2024-001: The City does not maintain an adequate segregation of duties among its accounting personnel.

Condition: A lack of segregation of duties over revenues and expenditures exists which could result in errors not being found in a timely manner.

Criteria: Internal controls can help the City of Wabasso achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Cause: The City has a limited number of accounting personnel.

Effect: The City of Wabasso has a limited number of employees who prepare all records for revenue and expenditures. This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation: We recommend the City Council take a more active role in their oversight over revenue and expenditures.

Corrective Action Plan and Council Response:

The following segregation of duties are presently in place:

- The City Council reviews and approves all bills
- The City Council periodically reviews revenue and expenditure reports for amounts, classifications and comparison to budget.

Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the City will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

2024-002: Financial Report Preparation and Material Audit Adjustments

Condition: The auditor was requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements.

CITY OF WABASSO
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. Additionally, adjustments were needed to record numerous accounting and audit adjustments, including some material. The material adjustments were to adjust cash, accounts receivable, taxes receivable, capital assets and debt activity.

Criteria: The financial statements are the responsibility of City's management and internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: We needed to make material audit adjustments in connection with our audit to correct the trial balance prepared by the city.

Effect: This could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. The auditor has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements. Management should also review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Corrective Action Plan and Council Response:

The City's management accepts the degree of risk associated with this condition and will continue to review its procedures to determine if any improvements can be made. The City will review and gain an understanding of the audit adjustments to reduce the number of entries necessary for future audits.

City of Wabasso
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2024

	Special Revenue							
	EDA General	Ec Rec Grant I	Ec Rec Grant II	Library	Small Cities	Revolving Loan	EDA 5 Plex	Cemetery
ASSETS								
Cash and Cash Equivalents	\$ 238,719	\$ 380,293	\$ 164,113	\$ 219,562	\$ --	\$ 40,000	\$ 95,541	\$ 14,773
Taxes Receivable	--	--	--	--	--	--	--	--
Note Receivable-Due within one year	--	77,690	9,468	--	7,505	--	--	--
Current due from other funds	56,664	675	--	3,555	--	--	1,195	--
Note Receivable-Due beyond one year	--	183,867	1,656	--	--	--	--	--
Special Assessments - Deferred	--	--	--	--	--	--	--	--
Total Assets	295,383	642,525	175,237	223,117	7,505	40,000	96,736	14,773
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 295,383	\$ 642,525	\$ 175,237	\$ 223,117	\$ 7,505	\$ 40,000	\$ 96,736	\$ 14,773
LIABILITIES								
Accounts Payable	\$ 1,800	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 913	\$ --
Accrued Payroll Deductions Payable	--	--	--	609	--	--	--	--
Security Deposits	--	--	--	--	--	--	3,515	--
Current due to other funds	--	31,154	5,466	--	1,263	--	--	--
Total Liabilities	1,800	31,154	5,466	609	1,263	--	4,428	--
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	--	7,505	--	--	--
Total Liabilities and Deferred Inflows of Resources	1,800	31,154	5,466	609	8,768	--	4,428	--
FUND BALANCE								
Nonspendable	--	261,557	111,124	--	--	--	--	--
Restricted	293,583	349,814	158,647	222,508	--	40,000	92,308	14,773
Assigned	--	--	--	--	--	--	--	--
Unassigned	293,583	611,371	169,771	222,508	(1,263)	40,000	92,308	14,773
Total Fund Balance	295,383	642,525	175,237	223,117	7,505	40,000	96,736	14,773
Total Liabilities, Deferred Inflows of Resources and Fund Balance								

City of Wabasso
 Combining Balance Sheet
 Nonmajor Governmental Funds - Continued
 December 31, 2024

	Debt Service					Capital Projects		Total Nonmajor Governmental Funds
	2013A Refunding Bonds	2022A GO Improvement Bond	2016A Refunding Bonds	2017A Tax Abatement Note Fund	TIF 1-3	TIF 1-5	Cedar Street Improvements	
ASSETS								
Cash and Cash Equivalents	\$ 68,533	\$ 124,972	\$ 113,119	\$ --	\$ --	\$ 105,113	\$ 268,584	\$ 1,833,322
Taxes Receivable	392	818	6	--	--	--	--	1,216
Note Receivable-Due within one year	--	--	--	--	--	--	--	94,663
Current due from other funds	--	--	--	--	--	--	--	62,089
Note Receivable-Due beyond one year	--	--	--	--	--	--	--	185,523
Special Assessments - Deferred	--	317,022	--	--	--	--	--	317,022
Total Assets	68,925	442,812	113,125	--	--	105,113	268,584	2,493,835
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 68,925	\$ 442,812	\$ 113,125	\$ --	\$ --	\$ 105,113	\$ 268,584	\$ 2,493,835
LIABILITIES								
Accounts Payable	--	--	--	--	--	--	\$ 153,434	\$ 156,147
Accrued Payroll Deductions Payable	--	--	--	--	--	--	--	609
Security Deposits	--	--	--	--	--	--	--	3,515
Current due to other funds	--	--	--	25,501	6,668	23,394	--	93,446
Total Liabilities	--	--	--	25,501	6,668	23,394	153,434	253,717
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	282	317,616	--	--	--	--	--	325,403
Total Liabilities and Deferred Inflows of Resources	282	317,616	--	25,501	6,668	23,394	153,434	579,120
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	272,681
Restricted	68,643	125,196	113,125	--	--	81,719	115,150	503,833
Assigned	--	--	--	--	--	--	--	1,171,633
Unassigned	--	--	--	(25,501)	(6,668)	--	--	(33,432)
Total Fund Balance	68,643	125,196	113,125	(25,501)	(6,668)	81,719	115,150	1,914,715
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 68,925	\$ 442,812	\$ 113,125	\$ --	\$ --	\$ 105,113	\$ 268,584	\$ 2,493,835

City of Wabasso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2024

	Special Revenue										Formerly Nonmajor	
	EDA General	Ec Rec Grant I	Ec Rec Grant II	Library	Small Cities	Revolving Loan	EDA 5 Plex	Cemetery	Fire			
Revenues												
Property Taxes	5,048	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Special Assessments	--											
Intergovernmental Revenues	--			42,210								
Charges for Services	--			25,603			39,260		150			
Contributions	--			30,028								
Special Assessments	--											
Other Revenue	480			2,030								
Interest Income	3,075		1,325	651				202				
Total Revenues	8,603		10,382	100,522				39,462			150	
Expenditures												
Culture and Recreation	--											
Housing and Economic Development	6,838			123,546								
Other	--							27,294				
Principal Payments	--											
Interest and Other Charges on Debt	--											
Capital Outlay	--											
Total Expenditures	6,838			123,546						9,496	36,790	
Excess of Revenues Over (Under) Expenditures	1,765		10,382	(23,024)				2,672			150	
Other Financing Sources (Uses)												
Gain (Loss) on Sale of Capital Assets	5,000											
Transfers from other funds	13,621			46,960								
Transfers to other funds	(8,102)											
Net Other Financing Sources (Uses)	18,621		(8,102)	46,960								
Net Change in Fund Balance	20,386		2,280	806				2,672			150	
<i>Fund Balance at Beginning of Period, as previously presented</i>	273,197			168,965			(1,263)		40,000			143,457
<i>Change within Financial Reporting Entity</i>	--		609,091									
<i>Fund Balance at Beginning of Period, as adjusted</i>	273,197		609,091	198,572			(1,263)		40,000			143,457
Fund Balance at End of Period	\$ 293,583		\$ 611,371	\$ 222,808			\$ (1,263)		\$ 40,000			\$ 14,773

City of Wabasso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds - Continued
For the Year Ended December 31, 2024

	Debt Service					Capital Projects			Total Nonmajor Governmental Funds
	2013A Refunding Bonds	2022A GO Improvement Bond	2016A Refunding Bonds	2017A Tax Abatement Note Fund	TIF 1-3	TIF 1-5	Cedar Street Improvements	Total	
Revenues									
Property Taxes	\$ 21,864	\$ 45,030	\$ 2	\$ 30,477	\$ 9,404	\$ 70,815	\$ --	\$ 182,640	
Special Assessments	--	36,410	--	--	--	--	--	36,410	
Intergovernmental Revenues	--	--	--	--	--	--	--	42,210	
Charges for Services	--	--	--	--	--	--	--	65,013	
Contributions	--	--	--	--	--	--	--	30,028	
Special Assessments	--	--	(77)	--	--	--	--	(77)	
Other Revenue	--	--	--	--	--	--	--	2,510	
Interest Income	527	--	410	--	--	--	--	16,572	
Total Revenues	22,391	81,440	335	30,477	9,404	70,815	--	375,306	
Expenditures									
Culture and Recreation	--	--	--	--	--	--	--	123,546	
Housing and Economic Development	--	--	--	--	--	--	--	34,132	
Other	--	--	--	--	941	--	--	941	
Principal Payments	45,000	8,000	--	25,000	--	45,000	--	123,000	
Interest and Other Charges on Debt	4,139	40,360	--	10,477	8,464	4,901	--	68,341	
Capital Outlay	49,139	48,360	--	--	--	--	87,038	96,534	
Total Expenditures	(26,748)	33,080	335	(5,000)	(1)	20,914	(87,038)	(71,188)	
Excess of Revenues Over (Under) Expenditures									
Other Financing Sources (Uses)									
Gain (Loss) on Sale of Capital Assets	--	--	--	--	--	--	--	5,000	
Transfers from other funds	28,500	--	--	--	--	--	--	89,081	
Transfers to other funds	--	--	--	--	--	--	--	(8,621)	
Net Other Financing Sources (Uses)	1,752	33,080	335	(5,000)	(1)	20,914	(87,038)	85,460	
Net Change in Fund Balance	66,891	92,116	112,790	(20,501)	(6,667)	60,805	--	1,232,621	
<i>Fund Balance at Beginning of Period, as previously presented</i>									
<i>Change within Financial Reporting Entity</i>									
<i>Fund Balance at Beginning of Period, as adjusted</i>	<i>66,891</i>	<i>92,116</i>	<i>112,790</i>	<i>(20,501)</i>	<i>(6,667)</i>	<i>60,805</i>	<i>202,188</i>	<i>667,822</i>	
Fund Balance at End of Period	\$ 68,643	\$ 125,196	\$ 113,125	\$ (25,501)	\$ (6,668)	\$ 81,719	\$ 115,150	\$ 1,914,715	

City of Wabasso
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2024

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Garbage</u>	<u>Storm Sewer</u>	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 41,215	\$ 30,087	\$ 71,302
Accounts Receivable	4,820	4,084	8,904
Inventory	200	--	200
Current due from other funds	101	--	101
Total Current Assets	<u>46,336</u>	<u>34,171</u>	<u>80,507</u>
<i>Noncurrent Assets</i>			
Total Assets	<u>46,336</u>	<u>34,171</u>	<u>80,507</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	7,028	--	7,028
Total Current Liabilities	<u>7,028</u>	<u>--</u>	<u>7,028</u>
<i>Noncurrent Liabilities</i>			
Total Liabilities	<u>7,028</u>	<u>--</u>	<u>7,028</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION			
<i>Unrestricted</i>	39,308	34,171	73,479
Total Net Position	<u>\$ 39,308</u>	<u>\$ 34,171</u>	<u>\$ 73,479</u>

City of Wabasso
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2024

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Garbage</u>	<u>Storm Sewer</u>	
Operating Revenues			
Charges for Services	\$ 55,922	\$ 38,497	\$ 94,419
<i>Total Operating Revenues</i>	<u>55,922</u>	<u>38,497</u>	<u>94,419</u>
Operating Expenses			
Contracted Services	44,122	4,259	48,381
Miscellaneous	643	67	710
Sales Tax	4,926	--	4,926
<i>Total Operating Expenses</i>	<u>49,691</u>	<u>4,326</u>	<u>54,017</u>
<i>Operating Income (Loss)</i>	<u>6,231</u>	<u>34,171</u>	<u>40,402</u>
Non-Operating Revenues (Expenses)			
<i>Net Non-Operating Revenues (Expenses)</i>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Income Before Contributions and Transfers</i>	<u>6,231</u>	<u>34,171</u>	<u>40,402</u>
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--
<i>Change In Net Position</i>	<u>6,231</u>	<u>34,171</u>	<u>40,402</u>
<i>Net Position at Beginning of Period</i>	33,077	--	33,077
<i>Net Position at End of Period</i>	<u>\$ 39,308</u>	<u>\$ 34,171</u>	<u>\$ 73,479</u>

Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

<p>1. SELLER NAME AND ADDRESS: Musco Sports Lighting, LLC ("Musco") 100 1st Avenue West – PO Box 808 Oskaloosa, IA 52577 Attn: Rachel Hadden Email: rachel.hadden@musco.com Telephone: 641-673-0411</p>	<p>2. BUYER NAME AND ADDRESS: City of Wabasso (the "Buyer") PO Box 60 Attn: Email: Telephone: 507-342-5519</p>
<p>3. OWNER NAME AND ADDRESS: City of Wabasso PO Box 60 Attn: Email: Telephone: 507-342-5519</p>	<p>4. SHIPPING NAME AND ADDRESS: Kunkel Electric Inc 58799 142nd Street Mapleton, MN 56065 Attn: Jeff Kunkel Email: jeff@kunkelectric.com Telephone: 507-524-3170</p>
<p>5. WARRANTY CONTACT: Contact Name: Address: Address: Attn: Email: Telephone:</p>	<p>6. FACILITY NAME AND ADDRESS: Wabasso High School 1333 May Street Wabasso MN 56293</p>
<p>7. INVOICES: Please remit invoices to: City of Wabasso PO Box 60 Attn: Email: Telephone: 507-342-5519</p>	



Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

8. **EQUIPMENT DESCRIPTION** – Musco shall sell, transfer, and deliver to Buyer, and Buyer will purchase, accept, and pay for the following goods (the "Equipment") in accordance with the "Total Price" paragraph of this Agreement:

Light-Structure System™ Foundation-to-Poletop Lighting System

- 16 – Total Light Control™ TLC-LED-1500 factory-aimed and assembled luminaires
- 8 – Total Light Control™ TLC-BT-575 BallTracker® factory-aimed and assembled luminaires
- Pole length factory assembled wire harnesses
- Factory wired and tested remote electrical component enclosures
- 4 - 70 ft galvanized steel poles
- 4 Pre-cast concrete bases with integrated lighting grounding

With Controls

- Control-Link® control and monitoring system to provide remote on/off and dimming (high/medium/low) control and performance monitoring with 24/7 customer support

Built to the following specifications:

- Driver input voltage: 240
- Phase to pole: Single phase
- Structural integrity: based upon IBC, 2018, 115 mph windspeed, Exposure C

9. **RESPONSIBILITIES OF THE BUYER AND/OR THIRD PARTY** – buyer/Third Party agrees to:

- Confirm supply voltage required for lighting system.
- Confirm pole or luminaire locations.
- Provide electrical design and materials for electrical distribution system.
- Provide labor and equipment for installation of electrical distribution system.
- Provide labor and equipment for installation of bases & poles.

10. **MUSCO CONTROL-LINK® CONTROL SYSTEM** – Musco agrees to provide design and layout for the control system. In addition to the Equipment, Musco agrees to provide the following: Control-Link Central™ customer support services: commission the system; monitor and report system alarms; provide automated facility management reports; provide on-off schedules via Control-Link Central™ app or website, email, or phone call; and provide technical support 24 hours a day, seven days a week.

11. **MUSCO SERVICES** – Musco agrees to provide, itself or through its subcontractors, design, layout, testing and commissioning for the Equipment and the following (collectively, the "Services"):

No additional Services

12. **CONSTANT 25™ WARRANTY – CONTROL AND MONITORING PROGRAM (the "Warranty")** – Musco shall provide parts, labor, and services as outlined in the Musco Constant 25 Warranty Agreement to maintain operation of lighting equipment for a period of 25 years on the following terms:

- **Warranty service begins:** on the date of product shipment
- **Expiration date:** 25 years from date of shipment
- **Services:** control, monitoring, and maintenance
- **Light levels:** as specified in Musco design documents
- **Spill light control:** as specified in Musco design documents
- **Energy consumption:** as specified in Musco design documents



Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

13. TOTAL PRICE – Buyer will pay for the above-described Equipment and, if applicable, Services. The Total Price of \$158,281 plus applicable taxes is payable as follows.

- \$158,281 within 30 days from invoice date

A copy of the payment and performance bond (if applicable) is required prior to shipment.

Monthly progress invoicing and payments will apply.

Final payment shall not be withheld by Buyer on account of delays beyond the control of Musco.

Price includes delivery, to the address indicated in item #4 of this Agreement. Price does not include sales tax, unloading or installation.

Project is pending approval and mutual acceptance of finance package provided by Musco Finance, LLC (Lender). Credit approval by Lender must be complete prior to the order being released for production. Finance documents must be signed and returned to Lender prior to shipment. Deposit will be refunded in the event the Lender does not approve Buyer for financing.

Payments not paid when due are subject to a carrying charge for each month past due or will be pro-rated for the portion of the month there is an unpaid balance. Carrying charges shall accrue in the amount of one- and one-half percent (1½%) per month of any overdue unpaid balance, or the maximum rate permitted by law, whichever is less.

Source of Funds: Buyer agrees that Buyer's payment to Musco is not contingent upon Buyer getting paid by the Owner/End User.

Buyer may not hold back or set off any amounts owed to Musco in satisfaction of any claims asserted by Buyer against Musco. No partial payment by Buyer shall constitute satisfaction of the entire outstanding balance of any invoice of Musco, notwithstanding any notation or statement accompanying that payment.

The Total Price was calculated utilizing parameters outlined in the project specifications. In the event soil conditions vary from those relied upon, or if the soil cannot be readily excavated, Buyer shall be responsible for Musco's additional associated costs, including but not limited to the cost of design, alternate foundations, additional materials, and labor.

14. TAXES – Buyer shall pay all applicable state and local sales taxes, use or any similar tax invoiced appropriately by Musco.

Taxable Non-Taxable (Copy of resale or exemption certificate must be attached. Note: Just holding a sales tax permit does not, in and of itself, qualify for a non-taxable sale.)

15. DELIVERY – Normal delivery to the shipping address indicated above is 8 to 10 weeks after submittal approval or release of order, if later. If the Equipment is shipped in multiple lots, Musco shall prepare a separate invoice for the price of the Equipment shipped at the time of each shipment. Buyer shall pay the amount of each such invoice upon the same terms as set out in the "Total Price" paragraph of this Agreement. Equipment will be shipped after finance agreement is finalized between Buyer and Lender.

All deliveries shall be made by means of a common carrier or some other reasonable means chosen by Musco. All risk of loss to Equipment sold shall pass to Buyer upon delivery by Musco of such Equipment to the shipping location indicated above.

Delivery is subject to Buyer maintaining credit satisfactory to Musco. Musco may suspend or delay performance or delivery at any time pending receipt of assurances, including full or partial prepayment or payment of any outstanding amounts owed adequate to Musco in its discretion, of Buyer's ability to pay. Failure to provide such assurances shall entitle Musco to cancel this contract without further liability or obligation to Buyer.



Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

- 16. NO RETAINAGE/WARRANTY** – Buyer acknowledges payment in full is required within the agreed terms. Warranty claims and back charges shall not be deducted from contract payments without prior approval of Musco's Warranty Department (877-347-3319). Musco's Equipment and its performance are sold subject to Musco's written warranty. The Warranty provided by Musco shall be in lieu of all other representations, warranties and conditions of any kind, in respect of the Equipment or the Services and Musco disclaims any other representation, warranty or condition whatsoever, whether written or oral, express or implied, statutory or otherwise, including, but not limited to, the implied warranties and conditions of merchantability and fitness for a particular purpose.

Buyer acknowledges that any warranty and/or maintenance guarantee contained within payment/performance bonds issued on Musco's behalf pursuant to this Agreement and the corresponding liability on behalf of the issuing surety shall apply only to the first 12 months of any warranty and/or maintenance obligation of Musco specified in the written Warranty to be delivered to Buyer. The balance of any warranty and/or maintenance obligation greater than 12 months shall be the sole responsibility of Musco and shall not be guaranteed by a third party.

- 17. EXCLUSION OF SPECIAL DAMAGES** – In no event shall Musco be liable for incidental, special or consequential damages, including without limitation lost revenues and profits, in respect of this Agreement or the Equipment and, if applicable, Services provided hereunder.
- 18. LIMITATIONS PERIOD** – Unless otherwise specified in the Warranty to be delivered to Buyer, any action or proceeding against Musco arising out of or relating to the Equipment or Services will be forever barred unless commenced within the earlier of: (a) one (1) year after delivery of the Equipment or if applicable, completion of the Services; or (b) the period prescribed by the applicable statute of limitation or repose.
- 19. SECURITY AGREEMENT** – In consideration of the promises contained herein, Buyer hereby grants and conveys to Musco, to secure payment and performance of all obligations in full, a purchase money security interest in the Equipment, including all repairs, replacements and accessions thereto and proceeds thereof (collectively referred to as the "Secured Property"). Buyer hereby irrevocably authorizes Musco at any time to register in any registration office in any province (including personal property registries and if applicable, land titles or real property registries) any initial financing statements, financing change statements, notices of security interest or other documents relating to this security interest or this transaction. Buyer further agrees to promptly furnish any information requested by Musco to effectuate the terms of this Agreement. Buyer further agrees to execute any document reasonably required by Musco to perfect the security interest granted herein and to assure the preservation, priority, and enforcement of such security interest. Buyer agrees that value has been given for this security interest and that the parties have not agreed to postpone the time for attachment of the security interest.
- 20. INSURANCE** – From and after delivery, regardless of the pending performance of the Services, until such time as Buyer has performed in full all obligations contained herein, Buyer shall maintain adequate insurance covering the Equipment in accordance with generally accepted business practices. Buyer shall name Musco as loss payee until such time as Buyer has performed in full all obligations contained herein.
- 21. DEFAULT** – Each of the following shall constitute a default ("Default") under this Agreement: a) failure to pay, in full, any payment when due hereunder; b) Buyer becomes the subject of a bankruptcy, receivership or insolvency proceeding; c) any warranty, representation or statement made or furnished to Musco by or on behalf of the Buyer proved to have been false in any material respect when made or furnished; d) loss, theft, damage, destruction or encumbrance to, or of, the Secured Property or the making of any levee, seizure or attachment thereof or thereon prior to payment in full; or e) the occurrence or non-occurrence of any event or events which causes Musco, in good faith, to deem itself insecure for any reason whatsoever.

Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

- 22. REMEDIES UPON DEFAULT** – In the event of Default, Musco may, at its option, and without notice or demand: a) declare the entire unpaid balance owing hereunder due and payable at once; b) proceed to recover judgment for the entire unpaid balance due; c) exercise all rights provided to Musco under this Agreement, any applicable personal property security act (or similar legislation), at law or in equity including but not limited to entering the Buyer's premises and taking possession of the Secured Property. All the remedies described herein are cumulative and may be exercised in any order by Musco. Buyer agrees to pay all costs (including reasonable attorney's fees and court costs) incurred by Musco in disposing of the Secured Property and collecting any amounts owing hereunder, and such costs shall be part of the obligations secured hereunder.
- 23. FORCE MAJEURE** – Musco shall not be liable for delays or failure to perform in respect of the Equipment or the Services due, directly or indirectly, to (i) causes beyond Musco's reasonable control, or (ii) acts of God or nature, acts (including failure to act) of any governmental authority, wars (declared or undeclared), strikes or other labor disputes, fires, and natural calamities (such as floods, earthquakes, storms, epidemics).
- 24. EEO COMPLIANCE** – When applicable, Musco and Subcontractor shall comply with the EEO Clause in Section 202 of Executive Order 11246, as amended, which is incorporated herein by specific reference.
- When applicable, Musco and Subcontractor shall abide by the requirements of 41 CFR 60-741.5(a) and 41 CFR 60-300.5(a). These regulations prohibit discrimination against qualified individuals on the basis of disability and against qualified protected veterans and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities and qualified protected veterans.
- 25. CONDITIONS OF AGREEMENT**
- a. **APPLICABLE LAW** – This Agreement shall be governed by the laws, including the Uniform Commercial Code, adopted in the State of Iowa as effective and in force on the date of this Agreement.
- b. **EXPENSES/REMEDIES** – Buyer shall pay to Musco the reasonable expenses, including court costs, legal and administrative expenses, and reasonable legal fees (on a solicitor and client basis), paid or incurred by Musco in endeavoring to collect amounts due from Buyer to Musco. It is further understood that if Buyer does not make a payment as due, Musco has the right to forward appropriate notices or claims on jobs with owners, bonding companies, general contractors, or the like, as deemed appropriate by Musco.
- c. **ENTIRE AGREEMENT** – This Agreement, the written Warranty to be delivered to Buyer, and any invoice issued by Musco pursuant to this Agreement constitute the entire agreement between the parties and supersede all prior statements of any kind made by the parties or their representatives. No representative or employee of Musco has any authority to bind Musco to any term, representation, or warranty other than those specifically included in this written Agreement or the written Warranty to be delivered to Buyer in connection with this Agreement. This Agreement may not be amended or supplemented except by written agreement executed by Musco and Buyer.
- d. **ACCEPTANCE** – This Agreement is subject to the approval of Musco's Credit Department and the written acceptance of this Order by Musco.



Purchase Agreement

Date: 7/22/2025

Project Name: Wabasso Football

Project #: 245123

City of Wabasso

MUSCO SPORTS LIGHTING, LLC

Acceptance

Acceptance

Date

Date

Signature

Signature

Name and Title

Name and Title

Please remember to return all pages of this agreement.





2627 KFB PLAZA, SUITE 110E | 877-587-4054
MANHATTAN, KS 66503

SENT VIA EMAIL: BRANDON@WABASSO.ORG

July 23, 2025

Mr. Brandon Baune
City of Wabasso, Minnesota

Re: Financing for City of Wabasso, Minnesota for Football Field Lighting Project including Thirty (30) Lights

Dear Mr. Baune:

Thank you for choosing KS StateBank as your financing source. Attached hereto, please find the Contract and documentation for your review and completion. Included is a Documentation Instruction sheet to guide you through the process. **All required documentation must be received by 3:00pm CST in order to fund the following business day.**

The interest rate you have been quoted is valid through August 7, 2025 (subject to the Conditions to Funding on the attached Documentation Instructions).

Please note that, depending on circumstances, we reserve the right to charge a reasonable fee to Obligor/broker, if this transaction is not funded. This fee is for expenses incurred and services performed related to the processing of the transaction. This fee will NOT be charged if the transaction is funded by Obligee.

If you have any questions regarding the documentation please feel free to contact me at (877) 587-4054.

Sincerely,

Marissa Uhrich
Client Relations

DOCUMENTATION INSTRUCTIONS

The instructions listed below should be followed when completing the enclosed documentation. ***Please sign in blue ink and print on single sided paper only.*** Documentation completed improperly will delay funding. If you have any questions regarding the Conditions to Funding, instructions or the documentation, please call us at (877) 587-4054.

I. Attached Documentation

1. **Government Obligation Contract**
 - ◆ An authorized individual that is with the Obligor should sign on the first space provided. ***All original signatures are required for funding.***
2. **Exhibit A – Description of Equipment**
 - ◆ Review equipment description. Complete serial number/VIN if applicable.
 - ◆ List the location where the equipment will be located after delivery/installation.
3. **Exhibit B – Payment Schedule**
 - ◆ Sign and print name and title
4. **Exhibit C - Acceptance of Obligation**
 - ◆ Sign and print name and title
5. **Exhibit D - Obligor Resolution**
 - ◆ Type in the date of the meeting in which the purchase was approved.
 - ◆ Print or type the name and title of the individual(s) who is authorized to execute the Contract.
 - ◆ The board chairman or other authorized member of the Obligor's Governing Body must sign the Resolution where indicated.
 - ◆ The board secretary or board clerk of Obligor must attest the Resolution where indicated.
6. **Exhibit E - Officer's Certificate**
 - ◆ Sign and print name and title
 - ◆ Please list the Source of Funds for the Contract Payments.
7. **Exhibit F - Payment Request & Equipment Acceptance Form**
 - ◆ Do Not Return until you need to request funds from the Vendor Payable Account.
8. **Exhibit G - Signature Card**
 - ◆ Sign and print name and title
 - ◆ An additional individual may sign as an authorized individual, if desired.
9. **Exhibit H - Obligor Acknowledgement**
 - ◆ Complete information as indicated.
10. **Exhibit I - Bank Qualified Certificate**
 - ◆ Sign and print name and title
11. **Insurance Requirements**
 - ◆ Complete insurance company contact information where indicated.
12. **Debit Authorization – (Preferred)**
 - ◆ Complete form and attach a voided check
13. **8038G IRS Form**
 - ◆ Please read 8038 Review Form
 - ◆ In Box 2, type Employer Identification Number
 - ◆ Sign and print name and title

II. Condition to Funding

If, for any reason: (i) the required documentation is not returned by November 23, 2025, is incomplete, or has unresolved issues relating thereto, or (ii) on, or prior to the return of the documentation, there is a change of circumstance, including but not limited to changes in the federal corporate income tax rate or reducing/capping the tax-exempt interest benefit, which adversely affects the expectations, rights or security of the Obligee or its assignees; then Obligee or its assignees reserve the right to withdraw/void its offer to fund this transaction in its entirety. *Neither KS StateBank nor Baystone Government Finance is acting as an advisor to the municipal entity/obligated person and neither owes a fiduciary duty pursuant to Section 15B of the Exchange Act of 1934.*

All documentation should be returned to:

KS StateBank
2627 KFB Plaza, Suite 110E
Manhattan, Kansas 66503



GOVERNMENT OBLIGATION CONTRACT

Obligor

City of Wabasso, Minnesota
1429 Front Street
Wabasso, Minnesota 56293

Obligee

KS StateBank
1010 Westloop, P.O. Box 69
Manhattan, Kansas 66505-0069

Dated as of July 24, 2025

This Government Obligation Contract dated as of the date listed above is between Obligee and Obligor listed directly above. Obligee desires to finance the purchase of the Equipment described in Exhibit A to Obligor and Obligor desires to have Obligee finance the purchase of the Equipment subject to the terms and conditions of this Contract which are set forth below.

I. Definitions

Section 1.01 Definitions. The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"Additional Schedule" refers to the proper execution of additional schedules to Exhibit A and Exhibit B, as well as other exhibits or documents that may be required by the Obligee all of which relate to the financing of additional Equipment.

"Budget Year" means the Obligor's fiscal year.

"Commencement Date" is the date when Obligor's obligation to pay Contract Payments begins.

"Contract" means this Government Obligation Contract and all Exhibits attached hereto, all addenda, modifications, schedules, refinancings, guarantees and all documents relied upon by Obligee prior to execution of this Contract.

"Contract Payments" means the payments Obligor is required to make under this Contract as set forth on Exhibit B.

"Contract Term" means the Original Term and all Renewal Terms.

"Exhibit" includes the Exhibits attached hereto, and any "Additional Schedule", whether now existing or subsequently created.

"Equipment" means all of the items of Equipment listed on Exhibit A and any Additional Schedule, whether now existing or subsequently created, and all replacements, restorations, modifications and improvements.

"Government" as used in the title hereof means a State or a political subdivision of the State within the meaning of Section 103(a) of the Internal Revenue Code of 1986, as amended ("Code"), or a constituted authority or district authorized to issue obligations on behalf of the State or political subdivision of the State within the meaning of Treasury Regulation 1.103-1(b), or a qualified volunteer fire company within the meaning of section 150(e)(1) of the Code.

"Obligee" means the entity originally listed above as Obligee or any of its assignees.

"Obligor" means the entity listed above as Obligor and which is financing the Equipment through Obligee under the provisions of this Contract.

"Original Term" means the period from the Commencement Date until the end of the Budget Year of Obligor.

"Partial Prepayment Date" means the first Contract Payment date that occurs on or after the earlier of (a) the twenty-four month (24) anniversary of the Commencement Date or (b) the date on which Obligor has accepted all the Equipment and all amounts have been disbursed from the Vendor Payable Account to pay for the Equipment.

"Purchase Price" means the total cost of the Equipment, including all delivery charges, installation charges, legal fees, financing costs, recording and filing fees and other costs necessary to vest full, clear legal title to the Equipment in Obligor, subject to the security interest granted to and retained by Obligee as set forth in this Contract, and otherwise incurred in connection with the financing of this Equipment.

"Renewal Term" means the annual term which begins at the end of the Original Term and which is simultaneous with Obligor's Budget Year and each succeeding Budget Year for the number of Budget Years necessary to comprise the Contract Term.

"State" means the state which Obligor is located.

"Surplus Amount" means any amount on deposit in the Vendor Payable Account on the Partial Prepayment Date.

"Vendor Payable Account" means the separate account of that name established pursuant to Section X of this Contract.

II. Obligor Warranties

Section 2.01 Obligor represents, warrants and covenants as follows for the benefit of Obligee or its assignees:

- (a) Obligor is an "issuer of tax exempt obligations" because Obligor is the State or a political subdivision of the State within the meaning of Section 103(a) of the Internal Revenue Code of 1986, as amended, (the "Code") or because Obligor is a constituted authority or district authorized to issue obligations on behalf of the State or political subdivision of the State within the meaning of Treasury Regulation 1.103-1(b), or a qualified volunteer fire company within the meaning of section 150(e)(1) of the Code.
- (b) Obligor has complied with any requirement for a referendum and/or competitive bidding.
- (c) Obligor has complied with all statutory laws and regulations that may be applicable to the execution of this Contract; Obligor, and its officer executing this Contract, are authorized under the Constitution and laws of the State to enter into this Contract and have used and followed all proper procedures of its governing body in executing and delivering this Contract. The officer of Obligor executing this Contract has the authority to execute and deliver this Contract. This Contract constitutes a legal, valid, binding and enforceable obligation of the Obligor in accordance with its terms.
- (d) Obligor shall use the Equipment only for essential, traditional government purposes. Equipment shall at all times remain on real property owned solely by Obligor, upon which there are no, and will be no mortgages, liens or encumbrances, except as created herein.
- (e) Should the IRS disallow the tax-exempt status of the interest portion of the Contract Payments as a result of the failure of the Obligor to use the Equipment for governmental purposes, or should the Obligor cease to be an issuer of tax exempt obligations, or should the obligation of Obligor created under this Contract cease to be a tax exempt obligation for any reason, then Obligor shall be required to pay additional sums to the Obligee or its assignees so as to bring the after tax yield on this Contract to the same level as the Obligee or its assignees would attain if the transaction continued to be tax-exempt.
- (f) Obligor has never non-appropriated funds under a contract similar to this Contract.
- (g) Obligor will submit to the Secretary of the Treasury an information reporting statement as required by the Code.
- (h) Upon request by Obligee, Obligor will provide Obligee with current financial statements, reports, budgets or other relevant fiscal information.
- (i) Obligor shall retain the Equipment free of any hazardous substances as defined in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et. seq. as amended and supplemented.
- (j) Obligor hereby warrants the General Fund of the Obligor is the primary source of funds or a backup source of funds from which the Contract Payments will be made.
- (k) Obligor presently intends to continue this Contract for the Original Term and all Renewal Terms as set forth on Exhibit B hereto. The official of Obligor responsible for budget preparation will include in the budget request for each Budget Year the Contract Payments to become due in such Budget Year, and will use all reasonable and lawful means available to secure the appropriation of money for such Budget Year sufficient to pay the Contract Payments coming due therein. Obligor reasonably believes that moneys can and will lawfully be appropriated and made available for this purpose.
- (l) Obligor has selected both the Equipment and the vendor(s) from whom the Equipment is to be purchased upon its own judgment and without reliance on any manufacturer, merchant, vendor or distributor, or agent thereof, of such equipment to the public.
- (m) Obligor owns the Equipment and any additional collateral free and clear of any liens, and Obligor has not and will not, during the Contract Term, create, permit, incur or assume any levies, liens or encumbrances of any kind with respect to the Equipment or any additional collateral except those created by this Contract.
- (n) Obligor warrants, as applicable, the purchase of any telecommunications and video surveillance services or equipment financed hereunder complies with 2 CFR § 200.216 and 2 CFR § 200.471.
- (o) Obligor warrants that it understands and has complied with 2 CFR § 200.322 in relation to domestic preferences for procurements, as applicable.

Section 2.02 Escrow Agreement. In the event both Obligee and Obligor mutually agree to utilize an Escrow Account, then immediately following the execution and delivery of this Contract, Obligor and Obligor agree to execute and deliver and to cause Escrow Agent to execute and deliver the Escrow Agreement. This Contract shall take effect only upon execution and delivery of the Escrow Agreement by the parties thereto. Obligee shall deposit or cause to be deposited with the Escrow Agent for credit to the Equipment Acquisition Fund the sum of N/A, which shall be held, invested and disbursed in accordance with the Escrow Agreement.

III. Acquisition of Equipment, Contract Payments and the Purchase Option Price

Section 3.01 Acquisition and Acceptance. Obligor shall be solely responsible for the ordering of the Equipment and for the delivery and installation of the Equipment. The Payment Request and Equipment Acceptance Form must be signed by the same authorized individual(s) who signed the Signature Card, Exhibit G. By making a Contract Payment after its receipt of the Equipment pursuant to this Contract, Obligor shall be deemed to have accepted the Equipment on the date of such Contract Payment for purposes of this Contract. All Contract Payments paid prior to delivery of the Payment Request and Equipment Acceptance Form shall be credited to Contract Payments as they become due as shown on the Contract Payment Schedule attached as Exhibit B hereto.

Section 3.02 Contract Payments. Obligor shall pay Contract Payments exclusively to Obligee or its assignees in lawful, legally available money of the United States of America. The Contract Payments shall be sent to the location specified by the Obligee or its assignees. The Contract Payments shall constitute a current expense of the Obligor and shall not constitute an indebtedness of the Obligor. The Contract Payments, payable without notice or demand, are due as set forth on Exhibit B. Obligee shall have the option to charge interest at the highest lawful rate on any Contract Payment received later than the due date for the number of days that the Contract Payment(s) were late, plus any additional accrual on the outstanding balance for the number of days that the Contract Payment(s) were late. Obligee shall also have the option, on monthly payments only, to charge a late fee of up to 10% of the monthly Contract Payment that is past due. Furthermore, Obligor agrees to pay any fees associated with the use of a payment system other than check, wire transfer, or ACH. Once all amounts due Obligee hereunder have been received, Obligee will release any and all of its rights, title and interest in the Equipment.

SECTION 3.03 CONTRACT PAYMENTS UNCONDITIONAL. Except as provided under Section 4.01, THE OBLIGATIONS OF OBLIGOR TO MAKE CONTRACT PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS CONTAINED IN THIS CONTRACT SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF, OR SUBJECT TO DEFENSE OR COUNTERCLAIM.

Section 3.04 Purchase Option Price. Upon thirty (30) days written notice, Obligor shall have the option to pay, in addition to the Contract Payment, the corresponding Purchase Option Price which is listed on the same line on Exhibit B. This option is only available to the Obligor on the Contract Payment date and no partial prepayments are allowed. If Obligor chooses this option and pays the Purchase Option Price to Obligee then Obligee will transfer any and all of its rights, title and interest in the Equipment to Obligor.

Section 3.05 Contract Term. The Contract Term shall be the Original Term and all Renewal Terms until all the Contract Payments are paid as set forth on Exhibit B except as provided under Section 4.01 and Section 9.01 below. If, after the end of the budgeting process which occurs at the end of the Original Term or any Renewal Term, Obligor has not non-appropriated as provided for in this Contract then the Contract Term shall be extended into the next Renewal Term and the Obligor shall be obligated to make all the Contract Payments that come due during such Renewal Term.

Section 3.06 Disclaimer of Warranties. OBLIGEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR ANY OTHER WARRANTY WITH RESPECT TO THE EQUIPMENT. OBLIGEE IS NOT A MANUFACTURER, SELLER, VENDOR OR DISTRIBUTOR, OR AGENT THEREOF, OF SUCH EQUIPMENT; NOR IS OBLIGEE A MERCHANT OR IN THE BUSINESS OF DISTRIBUTING SUCH EQUIPMENT TO THE PUBLIC. OBLIGEE SHALL NOT BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE ARISING OUT OF THE INSTALLATION, OPERATION, POSSESSION, STORAGE OR USE OF THE EQUIPMENT BY OBLIGOR.

IV. Non-Appropriation

Section 4.01 Non-Appropriation. In accordance with Minn. Stat. Ann. Section 465.71 Obligor has the right to terminate this Contract at the end of any Budget Year during the Contract Term by not appropriating the funds to make the Contract Payments for the next Renewal Term. Such non-appropriation shall be evidenced by the passage of an ordinance or resolution by the governing body of Obligor specifically prohibiting Obligor from performing its obligations under this Contract and from using any moneys to pay the Contract Payments due under this Contract for a designated Budget Year and all subsequent Budget Years. If Obligor non-appropriates, then all obligations of the Obligor under this Contract regarding Contract Payments for all remaining Renewal Terms shall be terminated at the end of the then current Original Term or Renewal Term without penalty or liability to the Obligor of any kind provided that if Obligor has not delivered possession of the Equipment to Obligee as provided herein and conveyed to Obligee or released its interest in the Equipment by the end of the last Budget Year for which Contract Payments were paid, the termination shall nevertheless be effective but Obligor shall be responsible for the payment of damages in an amount equal to the amount of the Contract Payments thereafter coming due under Exhibit B which are attributable to the number of days after such Budget Year during which Obligor fails to take such actions and for any other loss suffered by Obligee as a result of Obligor's failure to take such actions as required. Obligor shall immediately notify the Obligee as soon as the decision to non-appropriate is made. If such non-appropriation occurs, then Obligor shall deliver the Equipment to Obligee as provided below in Section 9.04. Obligor shall be liable for all damage to the Equipment other than normal wear and tear. If Obligor fails to deliver the Equipment to Obligee, then Obligee may enter the premises where the Equipment is located and take possession of the Equipment and charge Obligor for costs incurred.

V. Insurance, Damage, Insufficiency of Proceeds

Section 5.01 Insurance. Obligor shall maintain both property insurance and liability insurance at its own expense with respect to the Equipment. Obligor shall be solely responsible for selecting the insurer(s) and for making all premium payments and ensuring that all policies are continuously kept in effect during the period when Obligor is required to make Contract Payments. Obligor shall provide Obligee with a certificate of Insurance which lists the Obligee and/or assigns as a loss payee and an additional insured on the policies with respect to the Equipment.

- (a) Obligor shall insure the Equipment against any loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Obligee in an amount at least equal to the then applicable Purchase Option Price of the Equipment. Alternatively, Obligor may insure the Equipment under a blanket insurance policy or policies.
- (b) The liability insurance shall insure Obligee from liability and property damage in any form and amount satisfactory to Obligee.
- (c) Obligor may self-insure against the casualty risks and liability risks described above. If Obligor chooses this option, Obligor must furnish Obligee with a certificate and/or other documents which evidences such coverage.
- (d) All insurance policies issued or affected by this Section shall be so written or endorsed such that the Obligee and its assignees are named additional insureds and loss payees and that all losses are payable to Obligor and Obligee or its assignees as their interests may appear. Each policy issued or affected by this Section shall contain a provision that the insurance company shall not cancel or materially modify the policy without first giving thirty (30) days advance notice to Obligee or its assignees. Obligor shall furnish to Obligee certificates evidencing such coverage throughout the Contract Term.

Section 5.02 Damage to or Destruction of Equipment. Obligor assumes the risk of loss or damage to the Equipment. If the Equipment or any portion thereof is lost, stolen, damaged, or destroyed by fire or other casualty, Obligor will immediately report all such losses to all possible insurers and take the proper procedures to obtain all insurance proceeds. At the option of Obligee, Obligor shall either (1) apply the Net Proceeds to replace, repair or restore the Equipment or (2) apply the Net Proceeds to the applicable Purchase Option Price. For purposes of this Section and Section 5.03, the term Net Proceeds shall mean the amount of insurance proceeds collected from all applicable insurance policies after deducting all expenses incurred in the collection thereof.

Section 5.03 Insufficiency of Net Proceeds. If there are no Net Proceeds for whatever reason or if the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, restoration, modification or improvement of the Equipment, then Obligor shall, at the option of Obligee, either (1) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds or (2) apply the Net Proceeds to the Purchase Option Price and pay the deficiency, if any, to the Obligee.

Section 5.04 Obligor Negligence. Obligor assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Equipment and for injury to or death of any person or damage to any property whether such injury or death be with respect to agents or employees of Obligor or of third parties, and whether such property damage be to Obligor's property or the property of others (including, without limitation, liabilities for loss or damage related to the release or threatened release of hazardous substances under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act or similar or successor law or any State or local equivalent now existing or hereinafter enacted which in any manner arise out of or are incident to any possession, use, operation, condition or storage of any Equipment by Obligor), which is proximately caused by the negligent conduct of Obligor, its officers, employees and agents.

Section 5.05 Reimbursement. Obligor hereby assumes responsibility for and agrees to reimburse Obligee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Obligee that in any way relate to or arise out of a claim, suit or proceeding, based in whole or in part upon the negligent conduct of Obligor, its officers, employees and agents, or arose out of installation, operation, possession, storage or use of any item of the Equipment, to the maximum extent permitted by law.

VI. Title and Security Interest

Section 6.01 Title. Title to the Equipment shall vest in Obligor when Obligor acquires and accepts the Equipment. Title to the Equipment will automatically transfer to the Obligee in the event Obligor non-appropriates under Section 4.01 or in the event Obligor defaults under Section 9.01. In such event, Obligor shall execute and deliver to Obligee such documents as Obligee may request to evidence the passage of legal title to the Equipment to Obligee. For purposes of satisfying Minn. Stat. Ann. Section 465.71, Obligor hereby assigns the title to the Equipment to the Obligee as security for the purchase price. Once Obligee has received all Contract Payments and other amounts that may be owed or once Obligee receives the applicable Purchase Option Price, Obligee will be deemed to have assigned the title to the Equipment for purposes of the above referenced statute back to Obligor.

Section 6.02 Security Interest. To secure the payment of all Obligor's obligations under this Contract, as well as all other obligations, debts and liabilities, plus interest thereon, whether now existing or subsequently created, Obligor hereby grants to Obligee a security interest under the Uniform Commercial Code constituting a first lien on the Equipment described more fully on Exhibit A. Furthermore, Obligor agrees that any other collateral securing any other obligation(s) to Obligee, whether offered prior to or subsequent hereto, also secures this obligation. The security interest established by this section includes not only all additions, attachments, repairs and replacements to the Equipment but also all proceeds therefrom. Obligor authorizes Obligee to prepare and record any Financing Statement required under the Uniform Commercial Code to perfect the security interest created hereunder. Obligor agrees that any Equipment listed on Exhibit A is and will remain personal property and will not be considered a fixture even if attached to real property.

VII. Assignment

Section 7.01 Assignment by Oblige. All of Oblige's rights, title and/or interest in and to this Contract may be assigned and reassigned in whole or in part to one or more assignees or sub-assignees by Oblige at any time without the consent of Obligor. No such assignment shall be effective as against Obligor until the assignor shall have filed with Obligor written notice of assignment identifying the assignee. Obligor shall pay all Contract Payments due hereunder relating to such Equipment to or at the direction of Oblige or the assignee named in the notice of assignment. Obligor shall keep a complete and accurate record of all such assignments.

Section 7.02 Assignment by Obligor. None of Obligor's right, title and interest under this Contract and in the Equipment may be assigned by Obligor unless Oblige approves of such assignment in writing before such assignment occurs and only after Obligor first obtains an opinion from nationally recognized counsel stating that such assignment will not jeopardize the tax-exempt status of the obligation.

VIII. Maintenance of Equipment

Section 8.01 Equipment. Obligor shall keep the Equipment in good repair and working order, and as required by manufacturer's and warranty specifications. If Equipment consists of copiers, Obligor is required to enter into a copier maintenance/service agreement. Oblige shall have no obligation to inspect, test, service, maintain, repair or make improvements or additions to the Equipment under any circumstances. Obligor will be liable for all damage to the Equipment, other than normal wear and tear, caused by Obligor, its employees or its agents. Obligor shall pay for and obtain all permits, licenses and taxes related to the ownership, installation, operation, possession, storage or use of the Equipment. If the Equipment includes any titled vehicle(s), then Obligor is responsible for obtaining such title(s) from the State and also for ensuring that Oblige is listed as First Lienholder on all of the title(s). Obligor shall not use the Equipment to haul, convey or transport hazardous waste as defined in the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. seq. Obligor agrees that Oblige or its Assignee may execute any additional documents including financing statements, affidavits, notices, and similar instruments, for and on behalf of Obligor which Oblige deems necessary or appropriate to protect Oblige's interest in the Equipment and in this Contract. Obligor shall allow Oblige to examine and inspect the Equipment at all reasonable times.

IX. Default

Section 9.01 Events of Default defined. The following events shall constitute an "Event of Default" under this Contract:

- (a) Failure by Obligor to pay any Contract Payment listed on Exhibit B for fifteen (15) days after such payment is due according to the Payment Date listed on Exhibit B.
- (b) Failure to pay any other payment required to be paid under this Contract at the time specified herein and a continuation of said failure for a period of fifteen (15) days after written notice by Oblige that such payment must be made. If Obligor continues to fail to pay any payment after such period, then Oblige may, but will not be obligated to, make such payments and charge Obligor for all costs incurred plus interest at the highest lawful rate.
- (c) Failure by Obligor to observe and perform any warranty, covenant, condition, promise or duty under this Contract for a period of thirty (30) days after written notice specifying such failure is given to Obligor by Oblige, unless Oblige agrees in writing to an extension of time. Oblige will not unreasonably withhold its consent to an extension of time if corrective action is instituted by Obligor. Subsection (c) does not apply to Contract Payments and other payments discussed above.
- (d) Any statement, material omission, representation or warranty made by Obligor in or pursuant to this Contract which proves to be false, incorrect or misleading on the date when made regardless of Obligor's intent and which materially adversely affects the rights or security of Oblige under this Contract.
- (e) Any provision of this Contract which ceases to be valid for whatever reason and the loss of such provision would materially adversely affect the rights or security of Oblige.
- (f) Except as provided in Section 4.01 above, Obligor admits in writing its inability to pay its obligations.
- (g) Obligor defaults on one or more of its other obligations.
- (h) Obligor becomes insolvent, is unable to pay its debts as they become due, makes an assignment for the benefit of creditors, applies for or consents to the appointment of a receiver, trustee, conservator, custodian, or liquidator of Obligor, or all or substantially all of its assets, or a petition for relief is filed by Obligor under federal bankruptcy, insolvency or similar laws, or is filed against Obligor and is not dismissed within thirty (30) days thereafter.

Section 9.02 Remedies on Default. Whenever any Event of Default exists, Oblige shall have the right to take one or any combination of the following remedial steps:

- (a) With or without terminating this Contract, Oblige may declare all Contract Payments and other amounts payable by Obligor hereunder to the end of the then current Budget Year to be immediately due and payable.
- (b) With or without terminating this Contract, Oblige may require Obligor at Obligor's expense to redeliver any or all of the Equipment and any additional collateral to Oblige as provided below in Section 9.04. Such delivery shall take place within fifteen (15) days after the Event of Default occurs. If Obligor fails to deliver the Equipment and any additional collateral, Oblige may enter the premises where the Equipment and any additional collateral is located and take possession of the Equipment and any additional collateral and charge Obligor for costs incurred. Notwithstanding that Oblige has taken possession of the Equipment and any additional collateral, Obligor shall still be obligated to pay the remaining Contract Payments due up until the end of the then current Original Term or Renewal Term. Obligor will be liable for any damage to the Equipment and any additional collateral caused by Obligor or its employees or agents.
- (c) Oblige may take whatever action at law or in equity that may appear necessary or desirable to enforce its rights. Obligor shall be responsible to Oblige for all costs incurred by Oblige in the enforcement of its rights under this Contract including, but not limited to, reasonable attorney fees.

Section 9.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to Oblige is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Contract now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or shall be construed to be a waiver thereof.

Section 9.04 Return of Equipment and Storage.

- (a) **Surrender:** The Obligor shall, at its own expense, surrender the Equipment, any additional collateral and all required documentation to evidence transfer of title from Obligor to the Oblige in the event of a default or a non-appropriation by delivering the Equipment and any additional collateral to the Oblige at a location accessible by common carrier and designated by Oblige. In the case that any of the Equipment and any additional collateral consists of software, Obligor shall destroy all intangible items constituting such software and shall deliver to Oblige all tangible items constituting such software. At Oblige's request, Obligor shall also certify in a form acceptable to Oblige that Obligor has complied with the above software return provisions and that they will immediately cease using the software and that they shall permit Oblige and/or the vendor of the software to inspect Obligor's locations to verify compliance with the terms hereto.
- (b) **Delivery:** The Equipment and any additional collateral shall be delivered to the location designated by the Oblige by a common carrier unless the Oblige agrees in writing that a common carrier is not needed. When the Equipment and any additional collateral is delivered into the custody of a common carrier, the Obligor shall arrange for the shipping of the item and its insurance in transit in accordance with the Oblige's instructions and at the Obligor's sole expense. Obligor at its expense shall completely sever and disconnect the Equipment and any additional collateral or its component parts from the Obligor's property all without liability to the Oblige. Obligor shall pack or crate the Equipment and any additional collateral and all of the component parts of the Equipment and any additional collateral carefully and in accordance with any recommendations of the manufacturer. The Obligor shall deliver to the Oblige the plans, specifications, operation manuals or other warranties and documents furnished by the manufacturer or vendor on the Equipment and any additional collateral and such other documents in the Obligor's possession relating to the maintenance and methods of operation of such Equipment and any additional collateral.
- (c) **Condition:** When the Equipment is surrendered to the Oblige it shall be in the condition and repair required to be maintained under this Contract. It will also meet all legal regulatory conditions necessary for the Oblige to sell or lease it to a third party and be free of all liens. If Oblige reasonably determines that the Equipment or an item of the Equipment, once it is returned, is not in the condition required hereby, Oblige may cause the repair, service, upgrade, modification or overhaul of the Equipment or an item of the Equipment to achieve such condition and upon demand, Obligor shall promptly reimburse Oblige for all amounts reasonably expended in connection with the foregoing.
- (d) **Storage:** Upon written request by the Oblige, the Obligor shall provide free storage for the Equipment and any additional collateral for a period not to exceed 60 days after the expiration of the Contract Term before returning it to the Oblige. The Obligor shall arrange for the insurance described to continue in full force and effect with respect to such item during its storage period and the Oblige shall reimburse the Obligor on demand for the incremental premium cost of providing such insurance.

X. Vendor Payable Account

Section 10.01 Establishment of Vendor Payable Account. On the date that the Oblige executed this Contract, which is on or after the date that the Obligor executes this Contract, Oblige agrees to (i) make available to Obligor an amount sufficient to pay the total Purchase Price for the Equipment by establishing a separate, non-interest bearing account (the "Vendor Payable Account"), as agent for Obligor's account, with a financial institution that Oblige selects that is acceptable to Obligor (including Oblige or any of its affiliates) and (ii) to deposit an amount equal to such Purchase Price as reflected on Exhibit B in the Vendor Payable Account. Obligor hereby further agrees to make the representations, warranties and covenants relating to the Vendor Payable Account as set forth in Exhibit C attached hereto. Upon Obligor's delivery to Oblige of a Payment Request and Equipment Acceptance Form in the form set forth in Exhibit F attached hereto, Obligor authorizes Oblige to withdraw funds from the Vendor Payable Account from time to time to pay the Purchase Price, or a portion thereof, for each item of Equipment as it is delivered to Obligor. The Payment Request and Equipment Acceptance Form must be signed by an authorized individual acting on behalf of Obligor. The authorized individual or individuals designated by the Obligor must sign the Signature Card which will be kept in the possession of the Oblige.

Section 10.02 Down Payment. Prior to the disbursement of any funds from the Vendor Payable Account, the Obligor must either (1) deposit all the down payment funds that the Obligor has committed towards the purchase of the Equipment into the Vendor Payable Account or (2) Obligor must provide written verification to the satisfaction of the Oblige that all the down payment funds Obligor has committed towards the purchase of the Equipment have already been spent or are simultaneously being spent with the funds requested from the initial Payment Request and Equipment Acceptance Form. For purposes of this Section, the down payment funds committed towards the Equipment from the Obligor are the down payment funds that were represented to the Oblige at the time this transaction was submitted for credit approval by the Obligor to the Oblige.

Section 10.03 Disbursement upon Non-Appropriation or Default. If an event of non-appropriation or default occurs prior to the Partial Prepayment Date, the amount then on deposit in the Vendor Payable Account shall be retained by the Obligee and Obligor will have no interest therein.

Section 10.04 Surplus Amount. Any Surplus Amount then on deposit in the Vendor Payable Account on the Partial Prepayment Date shall, at Obligee's sole discretion, either a) be returned to Obligor, or b) be applied to pay on such Partial Prepayment Date a portion of the Purchase Option Price then applicable.

Section 10.05 Recalculation of Contract Payments. Should Obligee decide to apply the Surplus Amount to the then applicable Purchase Option Price as provided in Section 10.04 above, each Contract Payment thereafter shall be reduced by an amount calculated by Obligee based upon a fraction the numerator of which is the Surplus Amount and the denominator of which is the Purchase Option Price on such Partial Prepayment Date. Within 15 days after such Partial Prepayment Date, Obligee shall provide to Obligor a revised Exhibit B to this Contract, which shall take into account such payment of a portion of the Purchase Option Price thereafter and shall be and become thereafter Exhibit B to this Contract. Notwithstanding any other provision of this Section 10, this Contract shall remain in full force and effect with respect to all or the portion of the Equipment accepted by Obligor as provided in this Contract, and the portion of the principal component of Contract Payments remaining unpaid after the Partial Prepayment Date plus accrued interest thereon shall remain payable in accordance with the terms of this Contract, including revised Exhibit B hereto which shall be binding and conclusive upon Obligee and Obligor.

XI. Miscellaneous

Section 11.01 Notices. All notices shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at their respective places of business as first set forth herein or as the parties shall designate hereafter in writing.

Section 11.02 Binding Effect. Obligor acknowledges this Contract is not binding upon the Obligee or its assignees unless the Conditions to Funding listed on the Documentation Instructions have been met to Obligee's satisfaction, and Obligee has executed the Contract. Thereafter, this Contract shall inure to the benefit of and shall be binding upon Obligee and Obligor and their respective successors and assigns.

Section 11.03 Severability. In the event any provision of this Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.04 Amendments, Addenda, Changes or Modifications. This Contract may be amended, added to, changed or modified by written agreement duly executed by Obligee and Obligor. Furthermore, Obligee reserves the right to directly charge or amortize into the remaining balance due from Obligor, a reasonable fee, to be determined at that time, as compensation to Obligee for the additional administrative expense resulting from such amendment, addenda, change or modification requested by Obligor.

Section 11.05 Execution in Counterparts and Electronic Signatures. This Contract may be simultaneously executed in several counterparts, including electronically, each of which shall be an original and all of which shall constitute one and the same instrument.

Section 11.06 Captions. The captions or headings in this Contract do not define, limit or describe the scope or intent of any provisions or sections of this Contract.

Section 11.07 Master Contract. This Contract can be utilized as a Master Contract. This means that the Obligee and the Obligor may agree to the financing of additional Equipment under this Contract at some point in the future by executing one or more Additional Schedules to Exhibit A and Exhibit B, as well as other exhibits or documents that may be required by Obligee. Additional Schedules will be consecutively numbered on each of the exhibits which make up the Additional Schedule and all the terms and conditions of the Contract shall govern each Additional Schedule.

Section 11.08 Entire Writing. This Contract constitutes the entire writing between Obligee and Obligor. No waiver, consent, modification or change of terms of this Contract shall bind either party unless in writing and signed by both parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, representations, conditions, or warranties, express or implied, which are not specified herein regarding this Contract, the Equipment or any additional collateral, financed hereunder. Any terms and conditions of any purchase order or other documents submitted by Obligor in connection with this Contract which are in addition to or inconsistent with the terms and conditions of this Contract will not be binding on Obligee and will not apply to this Contract.

Obligee and Obligor have caused this Contract to be executed in their names by their duly authorized representatives listed below.

City of Wabasso, Minnesota

KS StateBank

Signature

Signature

Printed Name and Title

Jaymie Paavola-Luckert, Vice President

Printed Name and Title

EXHIBIT A

DESCRIPTION OF EQUIPMENT

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

Below is a detailed description of all the items of Equipment including quantity, model number and serial number where applicable:

Football Field Lighting Project including Thirty (30) Lights

Physical Address of Equipment after Delivery : _____

EXHIBIT B

PAYMENT SCHEDULE

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

Date of First Payment: July 24, 2026
 Original Balance: \$108,281.00
 Total Number of Payments: Seven (7)
 Number of Payments Per Year: One (1)

Pmt No.	Due Date	Contract Payment	Applied to Interest	Applied to Principal	*Purchase Option Price
1	24-Jul-26	\$19,687.46	\$6,951.64	\$12,735.82	\$97,053.43
2	24-Jul-27	\$19,687.46	\$6,134.00	\$13,553.46	\$83,111.53
3	24-Jul-28	\$19,687.46	\$5,263.87	\$14,423.59	\$68,344.27
4	24-Jul-29	\$19,687.46	\$4,337.87	\$15,349.59	\$52,702.79
5	24-Jul-30	\$19,687.46	\$3,352.43	\$16,335.03	\$36,135.34
6	24-Jul-31	\$19,687.46	\$2,303.72	\$17,383.74	\$18,587.09
7	24-Jul-32	\$19,687.46	\$1,187.69	\$18,499.77	\$0.00

City of Wabasso, Minnesota

 Signature

 Printed Name and Title

*Assumes all Contract Payments due to date are paid

EXHIBIT C
ACCEPTANCE OF OBLIGATION
TO COMMENCE CONTRACT PAYMENTS UNDER EXHIBIT B

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

I, the undersigned, hereby certify that I am a duly qualified representative of Obligor and that I have been given the authority by the governing body of Obligor to sign this Acceptance of Obligation to commence Contract Payments with respect to the above referenced Contract. I hereby certify that:

1. The Equipment described on Exhibit A has not been delivered, installed or available for use as of the Commencement date of this Contract.
2. Obligor acknowledges that Obligee has agreed to deposit into a Vendor Payable Account an amount sufficient to pay the total purchase price (the "Purchase Price") for the Equipment so identified in such Exhibit A;
3. The principal amount of the Contract Payments in the Exhibit B accurately reflects the Purchase Price;
4. Obligor agrees to execute a Payment Request and Equipment Acceptance Form authorizing payment of the Purchase Price, or a portion thereof, for each withdrawal of funds from the Vendor Payable Account.

Notwithstanding that the Equipment has not been delivered to or accepted by Obligor on the date of execution of the Contract, Obligor hereby warrants that:

- (a) Obligor's obligation to commence Contract Payments as set forth in Exhibit B is absolute and unconditional as of the Commencement Date and on each date set forth in Exhibit B thereafter, subject to the terms and conditions of the Contract;
- (b) immediately upon delivery and acceptance of all the Equipment, Obligor will notify Obligee of Obligor's final acceptance of the Equipment by delivering to Obligee the "Payment Request and Equipment Acceptance Form" in the form set forth in Exhibit F attached to the Contract;
- (c) in the event that any Surplus Amount is on deposit in the Vendor Payable Account when an event of non-appropriation or default under the Contract occurs, then those amounts shall be applied as provided in Section 10 of the Contract;
- (d) regardless of whether Obligor delivers a final Payment Request and Equipment Acceptance Form, all Contract Payments paid prior to delivery of all the Equipment shall be credited to Contract Payments as they become due under the Contract as set forth in Exhibit B.

City of Wabasso, Minnesota

Signature

Printed Name and Title

EXHIBIT D
OBLIGOR RESOLUTION

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

At a duly called meeting of the Governing Body of the Obligor (as defined in the Contract) held on _____ the following resolution was introduced and adopted:

BE IT RESOLVED by the Governing Body of Obligor as follows:

- Determination of Need.** The Governing Body of Obligor has determined that a true and very real need exists for the acquisition of the Equipment described on Exhibit A of the Government Obligation Contract dated as of July 24, 2025, between City of Wabasso, Minnesota (Obligor) and KS StateBank (Obligee).
- Approval and Authorization.** The Governing Body of Obligor has determined that the Contract, substantially in the form presented to this meeting, is in the best interests of the Obligor for the acquisition of such Equipment, and the Governing Body hereby approves the entering into of the Contract by the Obligor and hereby designates and authorizes the following person(s) to execute and deliver the Contract on Obligor's behalf with such changes thereto as such person(s) deem(s) appropriate, and any related documents, including any Escrow Agreement, necessary to the consummation of the transaction contemplated by the Contract.

Authorized Individual(s):

(Typed or Printed Name and Title of individual(s) authorized to execute the Contract)

- Adoption of Resolution.** The signatures below from the designated individuals from the Governing Body of the Obligor evidence the adoption by the Governing Body of this Resolution.

Signature:

(Signature of Board Chairman or other authorized member of the Obligor's Governing Body)

Printed Name & Title:

(Printed Name and Title of individual who signed directly above)

Attested By:

(Signature of Obligor's Board Secretary or Board Clerk)

Printed Name & Title:

(Printed Name of individual who signed directly above)

EXHIBIT E
OFFICER'S CERTIFICATE

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

I, the undersigned, hereby certify that I am a duly qualified representative of Obligor and that I have been given the authority by the governing body of Obligor to sign this Officer's Certificate with respect to the above referenced Contract. I hereby certify that:

1. Obligor has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Contract Payments required to be paid under the Contract during the current Budget Year of Obligor, and such moneys will be applied in payment of all Contract Payments due and payable during such current Budget Year.
2. Obligor has obtained insurance coverage as required under the Contract from an insurer qualified to do business in the State.
3. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.
4. The governing body of Obligor has approved the authorization, execution and delivery of this Contract on its behalf by the authorized representative of Obligor who signed the Contract.
5. Please list the Source of Funds (Fund Item in Budget) for the Contract Payments that come due under Exhibit B of this Contract.

Source of Funds : General Fund

By signing below, Obligor hereby authorizes the General Fund of the Obligor as a backup source of funds from which the Contract Payments can be made.

City of Wabasso, Minnesota

Signature

Printed Name and Title

EXHIBIT F

PAYMENT REQUEST AND EQUIPMENT ACCEPTANCE FORM

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

In accordance with Section 10.01, by executing this Payment Request and Equipment Acceptance Form the Obligor hereby represents that the Payee or Payees listed below who are requesting payment have delivered the Equipment or a portion of the Equipment or performed the services to the satisfaction of the Obligor and that the amounts requested below by the Payee or Payees are proportionate with the value of the Equipment delivered or services rendered by the Payee or Payees. The Obligor hereby represents and warrants for all purposes that:

1. Pursuant to the invoice attached hereto, the amount to be disbursed is \$ _____ and this amount is consistent with the Contract between Obligor and vendor.
2. Payment is to be made to: Payee: _____

3. The undersigned certifies that the following documents are attached to this Payment Request and Equipment Acceptance Form when there is a request for a release of funds from the Vendor Payable Account to pay for a portion, or all, of the Equipment: (1) Invoice from the vendor, (2) copy of the Contract between Obligor and vendor (if requested by the Obligee), (3) Insurance Certificate (if applicable), (4) front and back copy of the original MSO/Title listing KS StateBank and/or its assigns as the first lien holder (if applicable). By executing this Payment Request and Equipment Acceptance Form and attaching the documents as required above, the Obligor shall be deemed to have accepted this portion of the Equipment for all purposes under the Contract, including, without limitation, the obligation of Obligor to make the Contract Payments with respect thereto in a proportionate amount of the total Contract Payment.
4. No amount listed in this exhibit was included in any such exhibit previously submitted.
5. Each disbursement hereby requested has been incurred and is a proper charge against the Vendor Payable Account. No amount hereby requested to be disbursed will be paid to Obligor as reimbursement for any expenditure paid by Obligor more than 60 days prior to the date of execution and delivery of the Contract.
6. The Equipment referenced in the attached has been delivered, installed, inspected and tested as necessary and in accordance with Obligor's specifications and accepted for all purposes.
7. That Obligor is or will be the title owner to the Equipment referenced in the attached, and that in the event that any third party makes a claim to such title that Obligor will take all measures necessary to secure title including, without limitation, the appropriation of additional funds to secure title to such Equipment, or a portion thereof, and keep the Contract in full force and effect. Furthermore, Obligor has obtained insurance coverage as required under the Contract from an insurer qualified to do business in the State.
8. Obligor has appropriated and/or taken other lawful actions necessary to provide moneys sufficient to pay all Contract Payments required to be paid under the Contract during the current Budget Year of Obligor, and such moneys will be applied in payment of all Contract Payments due and payable during such current Budget Year.
9. No event or condition that constitutes or would constitute an Event of Default exists as of the date hereof.

I, the undersigned, hereby certify that I am a duly qualified representative of Obligor and that I have been given the authority by the governing body of Obligor to sign this Payment Request and Equipment Acceptance Form.

Please forward this document and any correspondence relating to vendor payment to:

Email: muhrich@ksstate.bank

or

Fax: (785) 587-4016

Please call (877) 587-4054 if you have any questions.

City of Wabasso, Minnesota

Signature

Printed Name and Title

**EXHIBIT G
SIGNATURE CARD**

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

The below signatures will be used for purposes of verifying the signature on a Payment Request and Equipment Acceptance Form prior to making payments from the Equipment Acquisition Fund or Vendor Payable Account. By signing below, the undersigned represents and warrants that s/he has received all appropriate authority from City of Wabasso, Minnesota.

City of Wabasso, Minnesota

Signature

Printed Name and Title

Signature of additional authorized individual (optional) of Obligor

Signature

Printed Name and Title

EXHIBIT H
OBLIGOR ACKNOWLEDGEMENT

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

Obligor hereby acknowledges that it has ordered or caused to be ordered the equipment that is the subject of the above-mentioned Contract.

Please complete the below information, attach another page if necessary

Vendor Name: _____

Equipment: _____

Cost of Equipment: _____

Vendor Name: _____

Equipment: _____

Cost of Equipment: _____

Vendor Name: _____

Equipment: _____

Cost of Equipment: _____

Vendor Name: _____

Equipment: _____

Cost of Equipment: _____

Vendor Name: _____

Equipment: _____

Cost of Equipment: _____

Obligor will immediately notify Obligee if any of the information listed above is changed.

EXHIBIT I

BANK QUALIFIED CERTIFICATE

RE: Government Obligation Contract dated as of July 24, 2025, between KS StateBank (Obligee) and City of Wabasso, Minnesota (Obligor)

Whereas, Obligor hereby represents that it is a "Bank Qualified" Issuer for the calendar year in which this Contract is executed by making the following designations with respect to Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"). (A "Bank Qualified Issuer" is an issuer that issues less than ten million (\$10,000,000) dollars of tax-exempt obligations other than "private activity bonds" as defined in Section 141 of the Code, excluding certain "qualified 501(c)(3) bonds" as defined in Section 145 of the Code, during the calendar year).

Now, therefor, Obligor hereby designates this Contract as follows:

- 1. Designation as Qualified Tax-Exempt Obligation.** Pursuant to Section 265(b)(3)(B)(i) of the Code, the Obligor hereby specifically designates the Contract as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. In compliance with Section 265(b)(3)(D) of the Code, the Obligor hereby represents that the Obligor will not designate more than \$10,000,000 of obligations issued by the Obligor in the calendar year during which the Contract is executed and delivered as such "qualified tax-exempt obligations".
- 2. Issuance Limitation.** In compliance with the requirements of Section 265(b)(3)(C) of the Code, the Obligor hereby represents that the Obligor (including all subordinate entities of the Obligor within the meaning of Section 265(b)(3)(E) of the Code) reasonably anticipates not to issue in the calendar year during which the Contract is executed and delivered, obligations bearing interest exempt from federal income taxation under Section 103 of the Code (other than "private activity bonds" as defined in Section 141 of the Code and excluding certain "qualified 501(c)(3) bonds" as defined in Section 145 of the Code) in an amount greater than \$10,000,000.

City of Wabasso, Minnesota

Signature

Printed Name and Title

INSURANCE REQUIREMENTS

Pursuant to Article V of the Government Obligation Contract, you have agreed to provide us evidence of insurance covering the Equipment.

A Certificate of Insurance listing the information stated below should be sent to us no later than the date on which the equipment is delivered.

Insured: City of Wabasso, Minnesota 1429 Front Street Wabasso, Minnesota 56293	Certificate Holder: KS StateBank AOIA (and/or Its Assigns) 1010 Westloop, P.O. Box 69 Manhattan, Kansas 66505-0069
--	--

- 1. **Equipment Description**
 - ◆ Football Field Lighting Project including Thirty (30) Lights
 - ◆ Please include all applicable VIN's, serial numbers, etc.
- 2. **Physical Damage**
 - ◆ All risk coverage to guarantee proceeds of at least \$158,281.00.
- 3. **Loss Payee**
 - ◆ KS StateBank AOIA (and/or Its Assigns) MUST be listed as loss payee.

Please forward certificate as soon as possible to: Email: muhrich@ksstate.bank
or
Fax: (785) 587-4016

Please complete the information below and return this form along with the Contract.

City of Wabasso, Minnesota

Insurance Company: _____

Agent's Name: _____

Telephone #: _____

Fax #: _____

Address: _____

City, State Zip: _____

Email: _____



3364402%ACHAUTHORIZATION%07.24.2025

PREFERRED

*As an additional payment option for Obligor, we are now providing the option of ACH (Automatic Clearing House). By completing this form, Obligor is authorizing Obligee to withdraw said payment amount on said date.

DEBIT AUTHORIZATION

I hereby authorize KS StateBank Government Finance Department to initiate debit entries for the Payment Amount (including, but not limited to, any late fees, rate changes, escrow modifications, etc.). I acknowledge that KS StateBank Government Finance Department may reinstate returned entries up to two additional times, to the account indicated below at the financial institution named below and to debit the same to such account for:

Contract Number 3364402	Payment Amount \$19,687.46	Frequency of Payments Annual
Beginning Month _____ Year _____	Day of Month Debits will be made according to Exhibit B of the Contract	

I acknowledge that the origination of ACH transactions to this account must comply with the provisions of U.S. law.

Financial Institution Name		Branch	
Address	City	State	Zip
Routing Number		Account Number	

Type of Account Checking Savings

If the account does not have sufficient funds, KS StateBank Government Finance Department may attempt, but shall have no obligation to continue to attempt to deduct the payment from the account. If the account has insufficient funds when KS StateBank Government Finance Department attempts to deduct a payment, KS StateBank Government Finance Department may terminate the automatic deduction of payments upon notice to borrower and me. Until such time as payment is made, borrower shall be responsible to make such payments, and all other payments that may be due to KS StateBank Government Finance Department regarding the above-referenced loan.

This authority is to remain in full force and effect until KS StateBank has received written notification from any authorized signer of the account of its termination in such time and manner as to afford KS StateBank a reasonable opportunity to act on it.

Obligor Name on Contract City of Wabasso, Minnesota	
Signature	Printed Name and Title
Tax ID Number 41-0915709	Date

PLEASE ATTACH COPY OF A VOIDED CHECK TO THIS FORM!

USA Patriot Act

USA Patriot Act requires identity verification for all new accounts. This means that we may require information from you to allow us to make a proper identification.

8038 REVIEW FORM

The 8038 form attached hereto is an important part of the documentation package and must be properly filled out and submitted to the Department of the Treasury in order for you to receive the lower tax-exempt rate. Unless you instruct us otherwise, we have engaged a Paid Preparer to assist in the filling out of this form. The Paid Preparer has filled out the relevant portions of this form based on the current understanding of what is required by the Department of the Treasury. The responses on this 8038 form are based on the dates and amounts which you have requested (structure of the transaction) and which are on the Payment Schedule.

1. Please review our responses for accuracy. If anything is inaccurate, please contact our office so that we can make proper revisions.
2. If the information provided to you on this form is accurate, please sign where indicated and return with the document package.
3. If there are any changes to the structure of the transaction that occur prior to funding which require a change to the 8038 form, we will make such changes and provide notification to you.
4. We will return to you a copy of the 8038 form that was mailed to the Department of the Treasury.

Important Note:

The IRS is now requesting information regarding tax-exempt issuers' and borrowers' written policies and procedures designed to monitor post-issuance compliance with the federal tax rules applicable to tax-exempt obligations (boxes 43 and 44). Do not check items 43 and 44 on the 8038 form unless you have established written procedures in accordance with the instructions referenced directly below. If you choose to "check" items 43 and/or 44, please be prepared to provide copies of such written procedures to the Paid Preparer or any representatives of the IRS upon request. Written procedures should contain certain key characteristics, including making provisions for:

- Due diligence review at regular intervals;
- Identifying the official or employee responsible for review;
- Training of the responsible official/employee;
- Retention of adequate records to substantiate compliance (e.g., records relating to expenditure of proceeds);
- Procedures reasonably expected to timely identify noncompliance; and
- Procedures ensuring that the issuer will take steps to timely correct noncompliance.

For additional guidance on this 8038 form, you can refer to the Documentation Instructions located on the following government website: <http://www.irs.gov/app/picklist/list/formsInstructions.html>, or contact your local IRS office.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0047

Department of the Treasury
Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.
► Go to www.irs.gov/F8038G for instructions and the latest information.

Part I Reporting Authority Check box if Amended Return ►

1 Issuer's name City of Wabasso, Minnesota	2 Issuer's employer identification number (EIN) 41-0915709
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) 1429 Front Street	Room/suite
5 Report number (For IRS Use Only)	3
6 City, town, or post office, state, and ZIP code Wabasso, Minnesota 56293	7 Date of issue 07/24/2025
8 Name of issue Government Obligation Contract	9 CUSIP number None
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information Mr. Brandon Baune, Clerk/Treasurer	10b Telephone number of officer or other employee shown on 10a (507) 342-5519

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe ► <u>Football Field Lighting Project including Thirty (30) Lights</u>	18	108,281	00
19 If obligations are TANs or RANs, check only box 19a			<input type="checkbox"/>
If obligations are BANS, check only box 19b			<input type="checkbox"/>
20 If obligations are in the form of a lease or installment sale, check box			<input type="checkbox"/>

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	07/24/2032	\$ 108,281.00	\$ 108,281.00	4.248 years	6.320 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22		
23 Issue price of entire issue (enter amount from line 21, column (b))	23	108,281	00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	0	00
25 Proceeds used for credit enhancement	25		
26 Proceeds allocated to reasonably required reserve or replacement fund	26		
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V.	27		
28 Proceeds used to refund prior taxable bonds. Complete Part V.	28		
29 Total (add lines 24 through 28)	29	0	00
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	108,281	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	_____ years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	_____ years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	_____
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	_____

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a		
b Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) _____			
c Enter the name of the GIC provider ▶ _____			
37 Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37		
38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:			
b Enter the date of the master pool bond ▶ (MM/DD/YYYY) _____			
c Enter the EIN of the issuer of the master pool bond ▶ _____			
d Enter the name of the issuer of the master pool bond ▶ _____			
39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box			<input checked="" type="checkbox"/>
40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box			<input type="checkbox"/>
41a If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:			
b Name of hedge provider ▶ _____			
c Type of hedge ▶ _____			
d Term of hedge ▶ _____			
42 If the issuer has superintegrated the hedge, check box			<input type="checkbox"/>
43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box			<input type="checkbox"/>
44 If the issuer has established written procedures to monitor the requirements of section 148, check box			<input type="checkbox"/>
45a If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement. ▶ _____			
b Enter the date the official intent was adopted ▶ (MM/DD/YYYY) _____			

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	▶ _____ ▶	Date	▶ _____ ▶ Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	H. Evan Howe	HEvanHowe	07/23/2025		P01438994
	Firm's Name ▶ Baystone Financial LLC	Firm's EIN ▶ 48-1223987			
Firm's Address ▶ 10601 Mission Road, Suite 200, Leawood, KS 66206	Phone no. (800) 752-3562				