

City of Upsala, Minnesota

Audited Financial Statements

For The Year Ended
December 31, 2024

**CITY OF UPSALA, MINNESOTA
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**INTRODUCTORY
SECTION**

**CITY OF UPSALA, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CITY COUNCIL

Term Expires

Rollie Johnson	Mayor	December 31, 2024
Lana Bartells	Council Member	December 31, 2024
Alan Gunderson	Council Member	December 31, 2027
Mitch Lange	Council Member	December 31, 2024
Wendy Rene	Council Member	December 31, 2027

CITY OFFICIALS

Jane Popp	Clerk/Treasurer
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**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Upsala, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major fund and the aggregate remaining fund information of the City of Upsala, Minnesota, as of December 31, 2024, and their respective regulatory basis changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor as described in Note 1.C.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each major fund and the aggregate remaining fund information of the City of Upsala, Minnesota, as of December 31, 2024, or the respective changes in financial position or, where applicable, cash flows thereof for the year then ended.

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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1.C., the financial statements are prepared by the City of Upsala, Minnesota, on the basis of the financial reporting provisions of the State of Minnesota's Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota's Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, budgetary comparison schedule, combining nonmajor fund financial statements, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were 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.

The introductory section, budgetary comparison schedule, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025 on our consideration of the City of Upsala's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Upsala's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 14, 2025

BASIC FINANCIAL STATEMENTS

CITY OF UPSALA, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	<u>Special Revenue</u>		<u>Debt Service</u>		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Roach TIF Fund	2019A G.O Tax Increment Bonds Fund		
ASSETS						
Cash and Cash Equivalents	\$ 436,616	\$ 437	\$ 13,264	\$ -	\$ 44,347	\$ 494,664
Due from Other Funds	84,738	-	-	-	-	84,738
Advances to Other Funds	-	-	-	421,755	-	421,755
TOTAL ASSETS	<u>\$ 521,354</u>	<u>\$ 437</u>	<u>\$ 13,264</u>	<u>\$ 421,755</u>	<u>\$ 44,347</u>	<u>\$ 1,001,157</u>
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 58,283	\$ 26,455	\$ 84,738
Advances from Other Funds	-	-	268,755	-	-	268,755
Total Liabilities	-	-	268,755	58,283	26,455	353,493
CASH FUND BALANCES						
Nonspendable	-	-	-	421,755	-	421,755
Restricted	14,284	-	-	-	43,941	58,225
Assigned	-	437	-	-	-	437
Unassigned	507,070	-	(255,491)	(58,283)	(26,049)	167,247
Total Cash Fund Balances	<u>521,354</u>	<u>437</u>	<u>(255,491)</u>	<u>363,472</u>	<u>17,892</u>	<u>647,664</u>
TOTAL LIABILITIES AND CASH FUND BALANCES	<u>\$ 521,354</u>	<u>\$ 437</u>	<u>\$ 13,264</u>	<u>\$ 421,755</u>	<u>\$ 44,347</u>	<u>\$ 1,001,157</u>

CITY OF UPSALA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Special Revenue</u>		<u>Debt Service</u>		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Roach TIF Fund	2019A G.O Tax Increment Bonds Fund		
RECEIPTS						
Taxes	\$ 198,784	\$ -	\$ -	\$ 26,813	\$ 44,312	\$ 269,909
Tax Increment	-	-	24,068	-	23,910	47,978
Franchise Taxes	16,635	-	-	-	-	16,635
Licenses, Permits, and Fees	2,870	-	-	-	-	2,870
Intergovernmental	131,008	18,160	-	-	-	149,168
Charges for Services	9,290	57,311	-	-	10,300	76,901
Interest Income	17,593	-	-	9,045	-	26,638
Miscellaneous	77,907	7,068	-	-	2,600	87,575
TOTAL RECEIPTS	<u>454,087</u>	<u>82,539</u>	<u>24,068</u>	<u>35,858</u>	<u>81,122</u>	<u>677,674</u>
DISBURSEMENTS						
Current:						
General Government	125,771	-	-	-	126	125,897
Public Safety	305	45,145	-	-	16,586	62,036
Public Works	97,765	-	-	-	-	97,765
Parks and Recreation	28,593	-	-	-	-	28,593
Library	12,066	-	-	-	-	12,066
Economic Development	-	-	9,045	-	10,760	19,805
Capital Outlay	126,988	6,330	-	-	-	133,318
Debt Service:						
Principal	-	-	-	42,000	38,000	80,000
Interest and Other Charges	-	-	-	15,307	5,636	20,943
TOTAL DISBURSEMENTS	<u>391,488</u>	<u>51,475</u>	<u>9,045</u>	<u>57,307</u>	<u>71,108</u>	<u>580,423</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	62,599	31,064	15,023	(21,449)	10,014	97,251

CITY OF UPSALA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Special Revenue</u>		<u>Debt Service</u>		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Roach TIF Fund	2019A G.O Tax Increment Bonds Fund		
OTHER FINANCING SOURCES (USES)						
Transfers In	-	16,394	-	-	5,966	22,360
Transfers Out	<u>(22,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,360)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,360)</u>	<u>16,394</u>	<u>-</u>	<u>-</u>	<u>5,966</u>	<u>-</u>
NET CHANGE IN CASH FUND BALANCES	40,239	47,458	15,023	(21,449)	15,980	97,251
CASH FUND BALANCES - BEGINNING	<u>481,115</u>	<u>(47,021)</u>	<u>(270,514)</u>	<u>384,921</u>	<u>1,912</u>	<u>550,413</u>
CASH FUND BALANCES - ENDING	<u>\$ 521,354</u>	<u>\$ 437</u>	<u>\$ (255,491)</u>	<u>\$ 363,472</u>	<u>\$ 17,892</u>	<u>\$ 647,664</u>

CITY OF UPSALA, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 409,578	\$ 162,667	\$ 37,003	\$ 609,248
Noncurrent Assets				
Advances to Other Funds	27,000	27,000	-	54,000
TOTAL ASSETS	\$ 436,578	\$ 189,667	\$ 37,003	\$ 663,248
LIABILITIES				
Noncurrent Liabilities				
Advances from Other Funds	\$ 103,500	\$ 103,500	\$ -	\$ 207,000
NET CASH ASSETS				
Restricted	8,559	27,157	-	35,716
Unrestricted	324,519	59,010	37,003	420,532
TOTAL NET CASH ASSETS	333,078	86,167	37,003	456,248
TOTAL LIABILITIES AND NET CASH ASSETS	\$ 436,578	\$ 189,667	\$ 37,003	\$ 663,248

CITY OF UPSALA, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
OPERATING RECEIPTS				
Charges for Services	\$ 140,218	\$ 61,356	\$ 57,418	\$ 258,992
OPERATING DISBURSEMENTS				
Wages and Benefits	27,309	24,352	2,955	54,616
Materials and Supplies	21	112	-	133
Repairs and Maintenance	45,767	5,645	-	51,412
Professional Services	235,004	3,871	46,638	285,513
Insurance	4,168	2,842	-	7,010
Utilities	2,270	1,899	-	4,169
Miscellaneous	3,145	704	485	4,334
TOTAL OPERATING DISBURSEMENTS	<u>317,684</u>	<u>39,425</u>	<u>50,078</u>	<u>407,187</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(177,466)	21,931	7,340	(148,195)
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Special Assessments	3,743	-	-	3,743
Intergovernmental	51,845	27,157	2,979	81,981
Investment Income	2,661	1,395	-	4,056
Miscellaneous	63,089	-	-	63,089
Interest and Other Charges	(14,452)	-	-	(14,452)
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u>106,886</u>	<u>28,552</u>	<u>2,979</u>	<u>138,417</u>
NET CHANGE IN CASH ASSETS BEFORE OTHER RECEIPTS / DISBURSEMENTS	(70,580)	50,483	10,319	(9,778)
OTHER RECEIPTS / DISBURSEMENTS				
Debt Issuance	<u>254,000</u>	-	-	<u>254,000</u>
CHANGE IN NET CASH ASSETS	183,420	50,483	10,319	244,222
NET CASH ASSETS - BEGINNING OF YEAR	<u>149,658</u>	<u>35,684</u>	<u>26,684</u>	<u>212,026</u>
NET CASH ASSETS - END OF YEAR	<u>\$ 333,078</u>	<u>\$ 86,167</u>	<u>\$ 37,003</u>	<u>\$ 456,248</u>

CITY OF UPSALA, MINNESOTA
STATEMENT OF CASHFLOWS – CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Fund	Sewer Fund	Garbage and Recycling Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 140,218	\$ 61,356	\$ 57,418	\$ 258,992
Cash Paid to Suppliers	(290,375)	(15,073)	(47,123)	(352,571)
Cash Paid to Employees	(27,309)	(24,352)	(2,955)	(54,616)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(177,466)	21,931	7,340	(148,195)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes and Intergovernmental	-	-	2,979	2,979
Other Receipts from Customers	63,089	-	-	63,089
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	63,089	-	2,979	66,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Special Assessments	3,743	-	-	3,743
Intergovernmental and Other	51,845	27,157	-	79,002
Payments on Interfund Advances	(11,500)	(11,500)	-	(23,000)
Proceeds from Debt Issuance	254,000	-	-	254,000
Cash Paid for Interest	(14,452)	-	-	(14,452)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	283,636	15,657	-	299,293
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	2,661	1,395	-	4,056
Net Change in Cash and Cash Equivalents	171,920	38,983	10,319	221,222
Cash and Cash Equivalents - Beginning of Year	237,658	123,684	26,684	388,026
Cash and Cash Equivalents - End of Year	<u>\$ 409,578</u>	<u>\$ 162,667</u>	<u>\$ 37,003</u>	<u>\$ 609,248</u>

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Upsala, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota’s Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, sanitation, recreation, public improvements, public safety, library and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City’s financial reporting entity is comprised of the primary governmental unit of the City of Upsala.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units’ board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

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 units’ funds are blended into those of the City’s by appropriate activity type to compose the primary government presentation. Currently, the City does not have any blended component units.

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.

Affiliated Organizations

The Upsala Firefighters Relief Association (the Association) is organized as a non-profit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with Minnesota Statutes. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby State aids flow to the Association, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City’s reporting entity. The City’s portion of the costs of the Association’s pension benefits is included in the fire fund under public safety.

1.B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, receipts or disbursements of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B BASIS OF PRESENTATION (Continued)

- b. Total assets, liabilities, receipts or disbursements of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major 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 activities except those legally or administratively required to be accounted for in other funds.

Fire Fund

The Fire Fund accounts for funds received by the City for fire department expenses.

Debt Service Funds (Roach TIF, 2019A G.O. Tax Increment Bonds)

The Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Tax increment financing taxes are used for the payment of principal and interest on the indebtedness of these funds.

The City reports the following major 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, and Garbage and Recycling Proprietary Funds.

The City reports the following nonmajor governmental fund types:

Debt Service Funds

The Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Tax increment financing taxes and property taxes are used for the payment of principal and interest on the City's indebtedness.

Special Revenue Funds

The Special Revenue Funds accounts for funds received by the City with a specific purpose.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements have been prepared on the regulatory (cash) basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory (cash) basis of accounting:

- In the governmental and proprietary fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America.

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting or proprietary receipts and disbursements in accordance with the accrual basis of accounting.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The appropriated budget is prepared by fund, function, and department. The City of Upsala’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. USE OF ESTIMATES

The preparation of financial statements in conformity with regulatory (cash) basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.F. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statement Balances Arising from Cash Transactions for governmental and proprietary funds and proprietary fund Cash Flows, “cash and cash equivalents” includes all demand accounts and certificates of deposits for the City. Certificates of deposit are stated at cost, which approximates fair value.

See Note 2.A. for additional information related to cash and cash equivalents.

Noncurrent Liabilities

Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements in governmental funds. In proprietary funds, debt proceeds and payment of principal and interest are reported as other receipts and disbursements. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans (noncurrent portion) are reported as “advances to and from other funds.”

See Note 2.C. for details of interfund transactions, including receivables and payables at year-end.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, AND EQUITY (Continued)

Equity Classifications

Governmental Funds

In the governmental fund financial statements, governmental funds report cash fund balances as either nonspendable, restricted, committed, assigned or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted cash fund balances, it uses restricted cash fund balances first unless unrestricted cash fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted cash fund balance classification could be used, it uses cash fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable cash fund balances at December 31, 2024 consist of long-term advances to other funds.

Restricted – That portion of cash fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution. There are no committed cash fund balances at December 31, 2024.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The Clerk/Treasurer or his/her designee shall have the authority to assign cash fund balance.

Unassigned – This classification represents cash fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 35% of annual budgeted operating expenditures.

Proprietary Funds

In the proprietary fund financial statements, net cash assets are displayed in two components:

Restricted Cash Assets – Consists of net cash assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. Restricted balances presented for the proprietary funds in the current year relate to grant funding that is to be used for various equipment purchases.

Unrestricted Cash Assets – All other net cash assets that do not meet the definition of “restricted”.

It is the City’s policy to consider restricted cash assets to its depletion before unrestricted cash assets are applied.

See Note 2.D. for additional disclosures related to governmental fund equity.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.G. RECEIPTS AND DISBURSEMENTS

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Morrison County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates 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 collects all special assessments, except for certain prepayments paid directly to the City. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. Operating disbursements for proprietary funds include the cost of sales and services and administrative expense. All receipts and disbursements not meeting this definition are reported as nonoperating items which include receipts and disbursements related to capital and related to financing, noncapital financing, or investing activities.

Disbursements

In the fund financial statements, disbursements are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental and proprietary funds report disbursements of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. See Note 2.C. for additional information.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, receipts, and disbursements.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2024, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

At December 31, 2024, the financial statement balance is categorized as follows:

Cash in Checking and Savings Accounts	\$	716,098
Certificates of Deposit		<u>387,814</u>
 Total Cash and Cash Equivalents	 \$	 <u><u>1,103,912</u></u>

Cash, cash equivalents, and time deposits are included on the basic financial statements as follows:

Cash and Cash Equivalents -		
Statement of Balances Arising from Cash Transactions - Governmental	\$	494,664
Cash and Cash Equivalents -		
Statement of Balances Arising from Cash Transactions - Proprietary		<u>609,248</u>
 Total Cash and Cash Equivalents	 \$	 <u><u>1,103,912</u></u>

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. NONCURRENT LIABILITIES

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

All debt set forth below are direct obligations of the City and pledge the full faith and credit of the City.

At December 31, 2024, the long-term debt of the financial reporting entity consists of the following:

Governmental Funds

General Obligation Tax Increment Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
08/19	\$ 678,000	\$12,000 - \$68,000	2.91%	02/33	\$ 505,000
General Obligation Notes					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
06/17	\$ 152,000	\$13,000 - \$18,000	3.00%	02/28	\$ 68,000
11/17	208,000	\$21,000 - \$26,000	3.05%	02/28	99,000
Total General Obligation Notes					\$ 167,000

Proprietary Funds

General Obligation Refunding Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
03/14	\$ 320,000	\$24,000 - \$34,000	3.10%	01/25	\$ 34,000
General Obligation Revenue Notes					
Issue Date	Original Amount	Annual Payment	Interest Rate	Maturity Date	Remaining Amount
06/24	\$ 254,000	\$12,000 - \$23,000	5.10%	02/39	\$ 254,000

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2024:

Type of Debt	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024	Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 547,000	\$ -	\$ (42,000)	\$ 505,000	\$ 47,000
General Obligation Notes	205,000	-	(38,000)	167,000	40,000
Total Governmental Activities	<u>\$ 752,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 672,000</u>	<u>\$ 87,000</u>

Type of Debt	Balance 1/1/2024	Additions	Deductions	Balance 12/31/2024	Within One Year
<i>Proprietary Funds:</i>					
General Obligation Bonds	\$ 34,000	\$ -	\$ -	\$ 34,000	\$ 34,000
General Obligation Revenue Notes	-	254,000	-	254,000	16,000
Total Business-Type Activities	<u>\$ 34,000</u>	<u>\$ 254,000</u>	<u>\$ -</u>	<u>\$ 288,000</u>	<u>\$ 50,000</u>

Interest and fiscal charges expense totals \$20,943 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances. Interest expense totals \$14,452 in the Statement of Receipts, Disbursements and Changes in Net Cash Assets.

Annual Debt Service Requirements

At December 31, 2024, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Funds		
	G.O. Bonds, Certificates, and Notes		
	Principal	Interest	Total
2025	\$ 87,000	\$ 18,465	\$ 105,465
2026	88,000	15,870	103,870
2027	94,000	13,173	107,173
2028	95,000	10,371	105,371
2029	56,000	8,148	64,148
2030-2033	<u>252,000</u>	<u>15,075</u>	<u>267,075</u>
Totals	<u>\$ 672,000</u>	<u>\$ 81,102</u>	<u>\$ 753,102</u>

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. NONCURRENT LIABILITIES (Continued)

Years Ending December 31,	Proprietary Funds		
	G.O. Bonds and Notes		
	Principal	Interest	Total
2025	\$ 50,000	\$ 14,404	\$ 64,404
2026	12,000	11,832	23,832
2027	13,000	11,195	24,195
2028	13,000	10,532	23,532
2029	14,000	9,843	23,843
2030-2034	81,000	37,511	118,511
2035-2039	105,000	13,896	118,896
Totals	\$ 288,000	\$ 109,213	\$ 397,213

Governmental Fund debt is typically funded through the Debt Service Funds. Proprietary Fund debt is funded through the Water Fund.

2.C. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2024:

Major Fund	Transfers Out	Transfers In			Total
		Major Fund	Nonmajor Funds		
		Fire Fund	Heritage Days Fund	First Response Fund	
General Fund	\$ 22,360	\$ 16,394	\$ 280	\$ 5,686	\$ 22,360

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. INTERFUND TRANSACTIONS AND BALANCES (Continued)

The interfund balances consist of the following at December 31, 2024:

Long-Term Advances			
Advances Due To	Advances Due From	Amount	Reason
Debt Service - 2019A	Water	\$ 103,500	Share of improvement bond debt
Debt Service - 2019A	Sewer	103,500	Share of improvement bond debt
Debt Service - 2019A	Debt Service - Roach TIF	214,755	Share of improvement bond debt
Water	Debt Service - Roach TIF	27,000	TIF Expenses
Sewer	Debt Service - Roach TIF	27,000	TIF Expenses
Short-Term Balances			
Due To	Due From		
General	Debt Service - 2019A	58,283	Eliminate fund cash deficit
General	Debt Service - 2017B	12,260	Eliminate fund cash deficit
General	First Response	14,195	Eliminate fund cash deficit
Total Interfund Balances		<u>\$ 560,493</u>	

Interfund balances are to be repaid as cash flows become available.

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. CASH FUND BALANCES

At December 31, 2024, governmental cash fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund					
Restricted for Equipment Purchases	\$ -	\$ 14,284	\$ -	\$ -	\$ -
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,070</u>
Total General Fund Balance	<u>\$ -</u>	<u>\$ 14,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,070</u>
Fire Fund					
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ -</u>
Roach TIF Fund					
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (255,491)</u>
2019A G.O. Tax Improvement Bonds Fund					
Nonspendable - Advances to Other Funds	\$ 421,755	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,283)</u>
Total 2019A G.O. Tax Improvement Bonds Fund Balance	<u>\$ 421,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,283)</u>
Nonmajor Governmental Funds					
Restricted for Debt Service	\$ -	\$ 29,807	\$ -	\$ -	\$ -
Restricted for TIF District	-	10,363	-	-	-
Restricted for Turnout Gear Purchases	-	3,771	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,049)</u>
Total Nonmajor Governmental Funds Balance	<u>\$ -</u>	<u>\$ 43,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,049)</u>

Nonmajor funds with deficit cash fund balances at December 31, 2024 consist of the following:

<u>Nonmajor Governmental Funds</u>	<u>Fund Deficit</u>
First Response Fund	<u>\$ (13,789)</u>
2017B G.O. Note Fund	<u>\$ (12,260)</u>

These cash fund deficits are expected to be recovered through future assessments, tax levies, service charges, or transfers.

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

General Employees Retirement Plan (General Plan)

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

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.

Contributions

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

CITY OF UPSALA, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$9,426. The City's contributions were equal to the required contributions as set by state statute.

NOTE 4 OTHER NOTES

4.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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

4.B. COMMITMENTS

Library Rent

The City has entered into a contract to rent space for the library, at a rate of \$750 per month, plus prorated utilities. The contract is effective through September 2029. For the year ended December 31, 2024, the rent payments under this agreement total \$9,000.

Refuse Collection Services

The City has a contract for refuse collection services for residential districts in the City until May 2027. The City shall pay the contractor at a pre-established monthly rate per residential unit for refuse and recyclable material. For the year ended December 31, 2024, such disbursements totals \$42,063.

4.C. TAX INCREMENT FINANCING DISTRICT

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes contained within Chapter 469, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Amounts abated consist of incremental increases in property taxes, or "tax increments," generated by the increased taxable value of a new development. Taxes are still paid in full, but any tax increment generated by the district and not retained by the City for administrative costs is used to finance the debt incurred for the related improvements.

During the year ended December 31, 2024, the taxes abated under the City's TIF programs totaled \$10,760. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates \$181,560 as of December 31, 2024. No other commitments were made by the City as part of these agreements.

SUPPLEMENTARY INFORMATION

**CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	<u> </u>	<u> </u>	<u> </u>
RECEIPTS			
Taxes			
Property Taxes	\$ 274,270	\$ 198,784	\$ (75,486)
Franchise Taxes	<u>16,000</u>	<u>16,635</u>	<u>635</u>
Total Taxes	290,270	215,419	(74,851)
Licenses and Permits	2,650	2,870	220
Intergovernmental Receipts			
State Revenue			
Local Government Aid	114,332	114,332	-
Market Value Credit	2,200	2,750	550
Transportation	-	13,003	13,003
Other State Grants and Aids	<u>-</u>	<u>923</u>	<u>923</u>
Total Intergovernmental Receipts	116,532	131,008	14,476
Charges for Services			
General Government	200	160	(40)
Streets and Highways	700	980	280
Parks and Recreation	<u>6,500</u>	<u>8,150</u>	<u>1,650</u>
Total Charges for Services	7,400	9,290	1,890
Miscellaneous Receipts			
Investment Earnings	1,100	17,593	16,493
Sale of Assets	-	4,500	4,500
Refunds and Reimbursements	10,000	3,080	(6,920)
Contributions and Donations	20,000	68,634	48,634
Other Miscellaneous	<u>-</u>	<u>1,693</u>	<u>1,693</u>
Total Miscellaneous Receipts	<u>31,100</u>	<u>95,500</u>	<u>64,400</u>
TOTAL RECEIPTS	447,952	454,087	6,135
DISBURSEMENTS			
General Government			
Mayor and Council	12,950	10,387	(2,563)
Administration and Finance	89,301	72,613	(16,688)
Other General Government	<u>38,600</u>	<u>42,771</u>	<u>4,171</u>
Total General Government	140,851	125,771	(15,080)
Public Safety			
Ambulance			
Current	-	305	305

CITY OF UPSALA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
Public Works			
Street Maintenance and Storm Sewers	\$ 84,267	\$ 73,293	\$ (10,974)
Snow and Ice Removal	19,300	2,286	(17,014)
Street Lighting	20,800	22,186	1,386
Capital Outlay - Other	-	126,988	126,988
Total Public Works	124,367	224,753	100,386
Culture and Recreation			
Libraries			
Current	14,550	12,066	(2,484)
Parks and Recreation			
Current	34,200	28,593	(5,607)
Total Culture and Recreation	48,750	40,659	(8,091)
TOTAL DISBURSEMENTS	313,968	391,488	77,520
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	133,984	62,599	(71,385)
OTHER FINANCING USES (SOURCES)			
Transfers			
To Other Funds	(133,655)	(22,360)	111,295
NET CHANGE IN CASH FUND BALANCE	\$ 329	40,239	\$ 39,910
CASH FUND BALANCE - BEGINNING		481,115	
CASH FUND BALANCE - ENDING		\$ 521,354	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 – Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$391,488 exceeded the final budgeted disbursements by \$77,520 for the year. This is primarily due to unbudgeted disbursements for capital outlay.

Note 2 – Fire Fund Budget

The City did not have a formally adopted version of the budget available for the Fire Fund major special revenue fund.

CITY OF UPSALA, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Special Revenue			Debt Service		Total Nonmajor Funds	
	Heritage Days Fund	First Response Fund	Turnout Gear Fund	Senior Living TIF Fund	2017A G.O. Note Fund		2017B G.O. Note Fund
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 406	\$ 3,771	\$ 10,363	\$ 29,807	\$ -	\$ 44,347
LIABILITIES							
Due to Other Funds	\$ -	\$ 14,195	\$ -	\$ -	\$ -	\$ 12,260	\$ 26,455
CASH FUND BALANCES							
Restricted	-	-	3,771	10,363	29,807	-	43,941
Unassigned	-	(13,789)	-	-	-	(12,260)	(26,049)
Total Cash Fund Balances	-	(13,789)	3,771	10,363	29,807	(12,260)	17,892
TOTAL LIABILITIES AND CASH FUND BALANCES	<u>\$ -</u>	<u>\$ 406</u>	<u>\$ 3,771</u>	<u>\$ 10,363</u>	<u>\$ 29,807</u>	<u>\$ -</u>	<u>\$ 44,347</u>

CITY OF UPSALA, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue			Debt Service			Total Nonmajor Funds
	Heritage Days Fund	First Response Fund	Turnout Gear Fund	Senior Living TIF Fund	2017A G.O. Note Fund	2017B G.O. Note Fund	
RECEIPTS							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 17,736	\$ 26,576	\$ 44,312
Tax Increment	-	-	-	23,910	-	-	23,910
Charges for Services	-	10,300	-	-	-	-	10,300
Miscellaneous	-	2,600	-	-	-	-	2,600
TOTAL RECEIPTS	-	12,900	-	23,910	17,736	26,576	81,122
DISBURSEMENTS							
Current:							
General Government	-	126	-	-	-	-	126
Public Safety	-	16,586	-	-	-	-	16,586
Economic Development	-	-	-	10,760	-	-	10,760
Principal	-	-	-	-	15,000	23,000	38,000
Interest and Other Charges	-	-	-	-	2,265	3,371	5,636
TOTAL DISBURSEMENTS	-	16,712	-	10,760	17,265	26,371	71,108
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(3,812)	-	13,150	471	205	10,014
OTHER FINANCING SOURCES (USES)							
Transfers In	280	5,686	-	-	-	-	5,966
NET CHANGE IN CASH FUND BALANCES	280	1,874	-	13,150	471	205	15,980
CASH FUND BALANCES - BEGINNING	(280)	(15,663)	3,771	(2,787)	29,336	(12,465)	1,912
CASH FUND BALANCES - ENDING	\$ -	\$ (13,789)	\$ 3,771	\$ 10,363	\$ 29,807	\$ (12,260)	\$ 17,892

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/24	Issued	Paid	Outstanding Balance 12/31/24	Principal Due Within One Year
GOVERNMENTAL FUND DEBT									
G.O. Tax Increment Bond - Series 2019A	8/19/2019	2.91%	2/1/2033	\$ 678,000	\$ 547,000	\$ -	\$ 42,000	\$ 505,000	\$ 47,000
G.O. Notes - Series 2017A	6/19/2017	3.00%	2/1/2028	152,000	83,000	-	15,000	68,000	16,000
G.O. Notes - Series 2017B	11/20/2017	3.05%	2/1/2028	<u>208,000</u>	<u>122,000</u>	<u>-</u>	<u>23,000</u>	<u>99,000</u>	<u>24,000</u>
TOTAL GOVERNMENTAL FUND DEBT				1,038,000	752,000	-	80,000	672,000	87,000
ENTERPRISE FUND DEBT									
G.O. Revenue Refunding Bond - Series 2014A	3/17/2014	3.10%	1/1/2025	320,000	34,000	-	-	34,000	34,000
G.O. Water Revenue Notes - Series 2024A	6/24/2024	5.10%	2/1/2039	<u>254,000</u>	<u>-</u>	<u>254,000</u>	<u>-</u>	<u>254,000</u>	<u>16,000</u>
TOTAL ENTERPRISE FUND DEBT				<u>574,000</u>	<u>34,000</u>	<u>254,000</u>	<u>-</u>	<u>288,000</u>	<u>50,000</u>
TOTAL INDEBTEDNESS				<u>\$ 1,612,000</u>	<u>\$ 786,000</u>	<u>\$ 254,000</u>	<u>\$ 80,000</u>	<u>\$ 960,000</u>	<u>\$ 137,000</u>

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2024
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Property Taxes	\$ 4,447
General	Charges for Services	360
General	Refunds and Reimbursements	8,942
Fire	Property Taxes	2
2019A G.O. Tax Increment Bonds	Property Taxes	549
2017A G.O. Note	Property Taxes	363
2017B G.O. Note	Property Taxes	544
Water	Customer Charges	14,244
Water	Special Assessments	307
Water	Refunds and Reimbursements	111
Sewer	Customer Charges	1,803
Garbage and Recycling	Customer Charges	<u>2,422</u>
		<u>\$ 34,094</u>

CITY OF UPSALA, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2024
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Elaine Mrozek	December Payroll	\$ 60
	Minnesota Power	Electric	2,135
	Quinlivan & Hughes, PA	Legal Services	160
	The Source Computing Group, Inc	Professional Services	189
	Verizon Wireless	Phone Services	<u>90</u>
			\$ 2,634
Fire	Minnesota Power	Electric	468
First Response	Verizon Wireless	Phone Services	40
Water	USA Bluebook	Water Supplies	361
	Kotzer Excavating	Retainage on watermain project	<u>6,550</u>
			6,911
Sewer	Minnesota Power	Electric	172
Senior Living TIF	Vitality Living Properties LLC	Tax Increment	<u>10,759</u>
			<u>\$ 20,984</u>

OTHER REQUIRED REPORT

**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 City Council
City of Upsala, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the City of Upsala, Minnesota (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2025.

Report on Internal Control Over Financial Reporting

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

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 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Responses* as items 2012-001 and 2012-003 to be material weaknesses.

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 deficiency described in the accompanying *Schedule of Findings and Responses* as item 2012-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that the City of Upsala, Minnesota failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Statute Section 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Responses* as item 2024-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Upsala, Minnesota failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, contracting-bid laws, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Statute Section 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City's Response to Findings

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

Purpose of this Report

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



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 14, 2025

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

Condition: The City has limited segregation of accounting duties.

Criteria: The City should adopt an internal control structure that properly segregates the various functions of each accounting cycle. This means no single person should be in a position to both initiate and approved a transaction, as well as have access to the related physical assets involved with the transaction. In other words, an employee should not be in a position to both commit an irregularity and cover it up.

Cause: There are a limited number of employees.

Effect: The lack of ideal segregation of duties could expose the City to heightened risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the City continue to evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

Views of Responsible Officials And Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafts the financial statements for the City. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them. However, we believe that management would require additional training in accounting practices prescribed by the State of Minnesota’s Office of the State Auditor to adequately apply such standards internally.

Criteria: The City is required to report accurate financial information and include all disclosures and supplementary information required under the regulatory basis of accounting identified above.

Cause: The City’s staff does not possess the expertise to prepare financial statements internally. This is not unusual for a City of your size.

Effect: The inability to properly prepare the City’s financial statements would result in improper financial reporting.

Recommendation: While the City may not have adequate controls in place to eliminate this finding, the City should document its annual review of the financial statements.

Views of Responsible Officials And Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The City is required to report accurate financial information in accordance with the basis of accounting practices prescribed or permitted by of the State of Minnesota’s Office of the State Auditor.

Cause: The City failed to record certain year-end adjustments required under the cash basis of accounting and various other adjustments were required to correct misstatements.

Effect: The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation in accordance with accounting practices prescribed by the State of Minnesota’s Office of the State Auditor.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit and ensure all accounts have been properly adjusted at year-end.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2024-004 Fire Relief Aid Payment

Condition: The City failed to remit Fire State Aid dollars to the Upsala Fire Relief Association within the 30-day window prescribed by Minnesota Statutes.

Criteria: On an annual basis, the City collects Fire State Aid from the State of Minnesota, which is earmarked for the Fire Relief Association. Under Minnesota Statute 477B.04, the City must transmit these funds (along with any supplement Fire State Aid received) to the relief association within 30 days of being received by the City.

Cause: The City failed to remit the funds to the relief association within the prescribed time frame.

Effect: The failure to pay within the prescribed time frame resulted in the City’s noncompliance with Minnesota Statutes.

Recommendation: We recommend management closely monitor the receipt of future Fire State Aid and ensure the timely disbursement of these funds to the fire relief association within 30 days of receipt.

*Views of Responsible
Officials And Planned
Corrective Actions:* Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS

Finding 2012-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will review current procedures and implement additional controls where possible.
3. Official Responsible
Jane Popp, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

Finding 2012-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible
Jane Popp, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

**CITY OF UPSALA, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will continue to have Schlenner Wenner & Co. prepare certain audit adjustments and the City will review the adjustments and schedules provided to the auditor. The City will be diligent in the review of schedules, including those prepared by third parties, to ensure they are correct and agree with the unaudited trial balance.
3. Official Responsible
Jane Popp, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

LEGAL COMPLIANCE FINDINGS

Finding 2024-004 Fire Relief Aid Payment

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will closely monitor the timing of future Fire State Aid receipts and ensure the timely disbursement of these funds to the fire relief association within the prescribed time frame.
3. Official Responsible
Jane Popp, Clerk/Treasurer, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2025.
5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.