



City of Mendota Heights

**Annual Report and Basic
Financial Statements**

December 31, 2024

**City of Mendota Heights
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**City of Mendota Heights
Elected Officials and Administration
December 31, 2024**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Stephanie Levine	Mayor	December 31, 2026
Joel Paper	Council Member	December 31, 2028
Jay Miller	Council Member	December 31, 2024
Sally Lorberbaum	Council Member	December 31, 2026
John Mazzitello	Council Member	December 31, 2026
<u>Administration</u>		
Cheryl Jacobson	City Administrator	Appointed
Nancy Bauer	City Clerk	Appointed
Kristen Schabacker	Finance Director	Appointed

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mendota Heights and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Mendota Heights' 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 Mendota Heights' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Mendota Heights' 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 City of Mendota Heights' 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, which follows this report letter, and 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 Governmental Accounting Standards Board (GASB), 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 Mendota Heights' basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2025, on our consideration of the City of Mendota Heights' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Mendota Heights' internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 4, 2025

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City of Mendota Heights Management's Discussion and Analysis

As management of the City of Mendota Heights, Minnesota (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2024.

FINANCIAL AND DEVELOPMENT HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent year by \$66,158,700 (net position). Of this amount, \$15,524,356 (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 \$6,493,753. Governmental activities resulted in an increase of net position of \$5,784,172. Business-type activities had an increase of net position of \$709,581.

As of the close of the current year, the City's governmental funds reported a combined ending fund balance of \$23,348,587, an increase of \$1,377,452 from the prior year.

At the end of the year the General Fund had an unassigned fund balance of \$13,079,199, or 101.18% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements on pages 18 and 19 are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

**City of Mendota Heights
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the following major funds:

- General Fund
- Special Assessments Debt Service Fund
- Street Capital Projects Fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20 through 27 of this report.

Proprietary Funds

The City maintains two enterprise funds and two internal service funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and storm water operations.

City of Mendota Heights Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the following funds:

Enterprise Funds

- Sewer Utility Fund
- Storm Water Utility Fund

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for compensated absences and city hall functions. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28 through 30 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 31 through 63 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 80 through 97 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$66,158,700 at the close of the most recent year.

**City of Mendota Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the City's net position (\$40,337,661 or 60.97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

City of Mendota Heights, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 32,128,191	\$ 28,675,972	\$ 4,147,902	\$ 3,603,191	\$ 36,276,093	\$ 32,279,163
Capital assets	48,487,778	43,988,299	14,942,868	14,678,732	63,430,646	58,667,031
Deferred outflows of resources related to pensions and OPEB	6,502,068	5,351,785	17,184	30,966	6,519,252	5,382,751
 Total assets and deferred outflows of resources	<u>\$ 87,118,037</u>	<u>\$ 78,016,056</u>	<u>\$ 19,107,954</u>	<u>\$ 18,312,889</u>	<u>\$ 106,225,991</u>	<u>\$ 96,328,945</u>
Liabilities						
Long-term liabilities outstanding	\$ 27,576,208	\$ 25,477,620	\$ 107,043	\$ 124,486	\$ 27,683,251	\$ 25,602,106
Other liabilities	4,997,798	3,699,537	322,680	228,553	5,320,478	3,928,090
Deferred inflows of resources related to pensions, OPEB and leases	7,015,628	7,094,668	47,934	39,134	7,063,562	7,133,802
 Total liabilities and deferred inflows of resources	<u>\$ 39,589,634</u>	<u>\$ 36,271,825</u>	<u>\$ 477,657</u>	<u>\$ 392,173</u>	<u>\$ 40,067,291</u>	<u>\$ 36,663,998</u>
Net Position						
Net investment in capital assets	\$ 25,394,793	\$ 21,937,409	\$ 14,942,868	\$ 14,678,732	\$ 40,337,661	\$ 36,616,141
Restricted	10,296,683	8,617,524	-	-	10,296,683	8,617,524
Unrestricted	11,836,927	11,189,298	3,687,429	3,241,984	15,524,356	14,431,282
 Total net position	<u>\$ 47,528,403</u>	<u>\$ 41,744,231</u>	<u>\$ 18,630,297</u>	<u>\$ 17,920,716</u>	<u>\$ 66,158,700</u>	<u>\$ 59,664,947</u>

A portion of the of the City's net position (\$10,296,683) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,524,356) may be used to meet the City's ongoing obligations to citizens and creditors.

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

**City of Mendota Heights
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City's net position by \$5,784,172. Key elements of this increase are as follows:

City's Changes in Net Position

City of Mendota Heights, Minnesota's Net Position

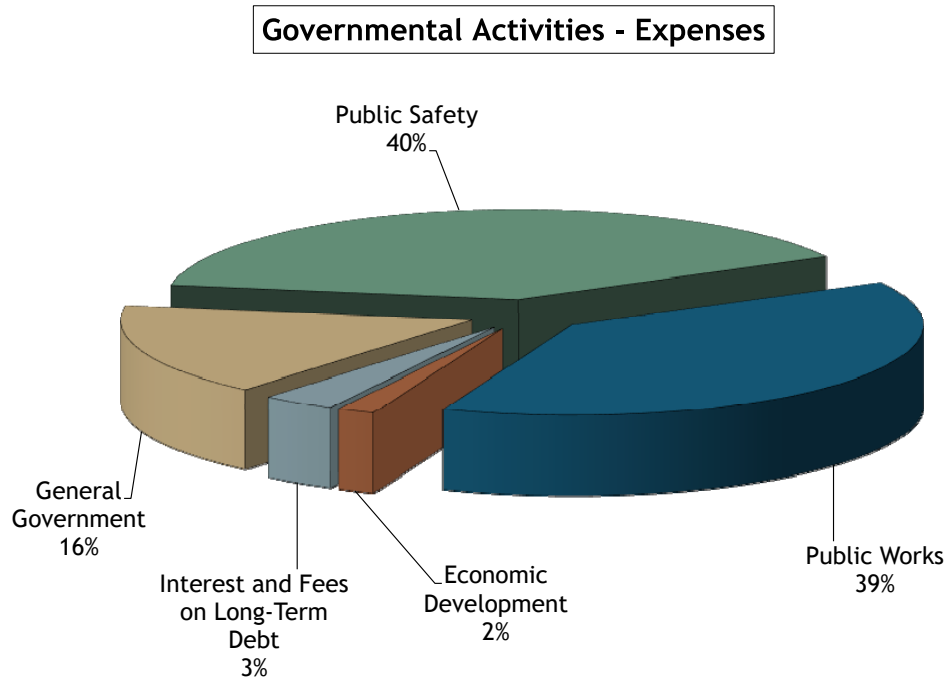
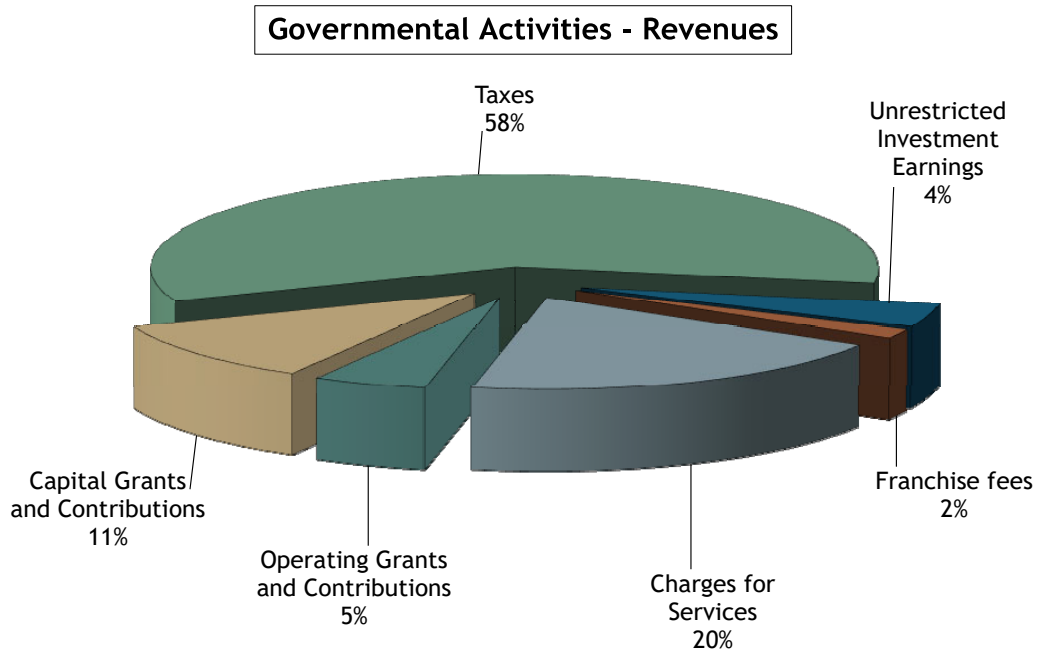
	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 4,444,361	\$ 2,001,237	\$ 3,232,235	\$ 3,120,321	\$ 7,676,596	\$ 5,121,558
Operating grants and contributions	1,133,495	1,411,285	31,435	58,219	1,164,930	1,469,504
Capital grants and contributions	2,442,848	920,277	-	-	2,442,848	920,277
General revenues						
Taxes	12,914,941	11,916,771	-	-	12,914,941	11,916,771
Tax increment	323,631	287,493	-	-	323,631	287,493
Unrestricted investment earnings	942,819	876,019	142,879	102,092	1,085,698	978,111
Franchise fees	382,044	-	-	-	382,044	-
Total revenues	<u>22,584,139</u>	<u>17,413,082</u>	<u>3,406,549</u>	<u>3,280,632</u>	<u>25,990,688</u>	<u>20,693,714</u>
Expenses						
General government	2,801,829	2,391,098	-	-	2,801,829	2,391,098
Public safety	6,753,141	6,422,123	-	-	6,753,141	6,422,123
Public works	6,614,732	5,855,615	-	-	6,614,732	5,855,615
Economic development	295,547	266,151	-	-	295,547	266,151
Interest on long-term debt	577,326	561,133	-	-	577,326	561,133
Sewer	-	-	2,056,849	2,030,589	2,056,849	2,030,589
Storm water	-	-	397,511	448,669	397,511	448,669
Total expenses	<u>17,042,575</u>	<u>15,496,120</u>	<u>2,454,360</u>	<u>2,479,258</u>	<u>19,496,935</u>	<u>17,975,378</u>
Increase (decrease) in net position before transfers	5,541,564	1,916,962	952,189	801,374	6,493,753	2,718,336
Transfers	242,608	65,476	(242,608)	(65,476)	-	-
Increase (decrease) in net position	<u>5,784,172</u>	<u>1,982,438</u>	<u>709,581</u>	<u>735,898</u>	<u>6,493,753</u>	<u>2,718,336</u>
Net position - beginning	<u>41,744,231</u>	<u>39,761,793</u>	<u>17,920,716</u>	<u>17,184,818</u>	<u>59,664,947</u>	<u>56,946,611</u>
Net position - ending	<u>\$ 47,528,403</u>	<u>\$ 41,744,231</u>	<u>\$ 18,630,297</u>	<u>\$ 17,920,716</u>	<u>\$ 66,158,700</u>	<u>\$ 59,664,947</u>

City of Mendota Heights
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

Below are specific graphs which provide comparisons of the governmental activities revenues and expenditures:



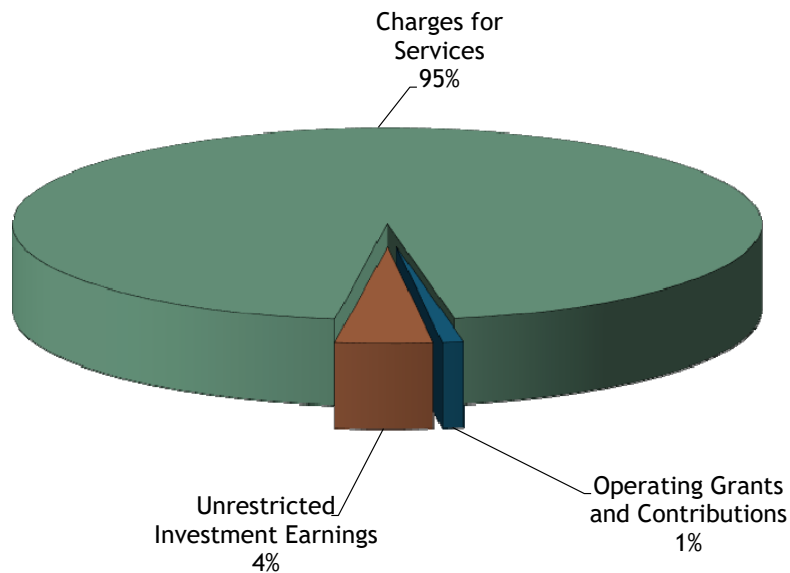
City of Mendota Heights
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

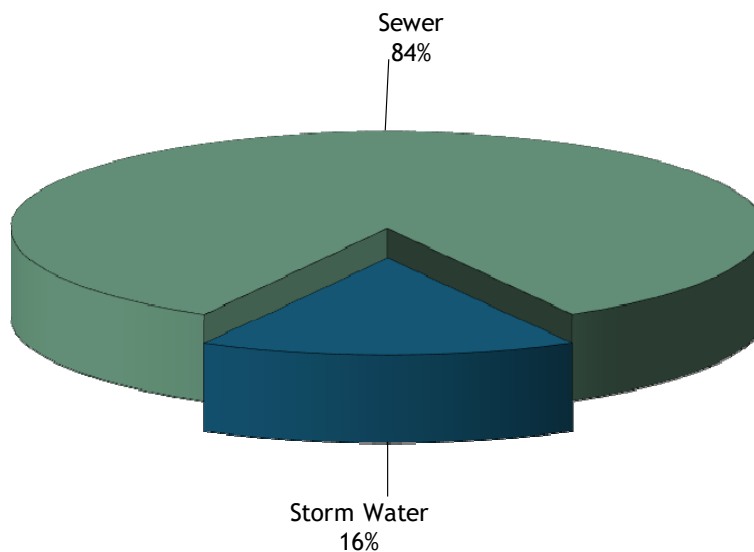
Business-Type Activities

Business-type activities increased net position by \$709,581. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



**City of Mendota Heights
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$23,348,587. Nonspendable fund balances are already allocated for prepaid items (\$375,378) and inventory (\$23,271). Approximately 28.96% (\$6,761,312) constitutes restricted fund balance. Restricted fund balance would include Debt Service, Special Park, Street Capital Projects, Police Forfeiture, TIF Districts and Street Light District Funds, all of which have specific uses for the funds they receive. The City also has a committed fund balance of \$1,566,538 (6.71%). This represents fund balance that is to be used for the water system, Par 3 Golf Course, and civil defense needs. The City has assigned fund balance of \$2,157,102 (9.24%). This number represents the fund balances for the various reserve accounts. The remaining category of fund balance is the unassigned fund balance. The City has \$12,464,986 of unassigned fund balance which is approximately 53.39% of the combined governmental fund balance at December 31, 2024.

The General Fund's fund balance increased by \$987,675 in 2024. Revenues were greater than anticipated and operating expenditures were lower than budgeted amounts. The capital outlay expenditures were greater than budgeted due to the new squad leases and subscription liabilities.

The Special Assessments Debt Service Fund increased by \$298,899 in 2024. This fund accounted for debt service payments for prior street improvement projects that were financed through the issuance of bonds.

The Street Capital Project Fund increased by \$459,936. This fund accounted for the costs and resources associated with the Emerson Avenue and Bridgeview Shores street projects.

The nonmajor governmental funds decreased by \$369,058. These funds received revenues from water surcharges, Par 3 Golf Course, and park dedication fees. Nonmajor funds account for the Special Park, Civil Defense, Par 3 Golf Course, and Street Light District activity. The decrease in nonmajor governmental funds relates to the expenditures for upcoming street project work that has not yet had funding issued to cover those expenses. The City also has nonmajor funds for future purchases of equipment, facility needs and minor infrastructure projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position in the respective Proprietary Funds are sewer \$2,866,723 and storm water \$820,706. The Sewer Utility Fund had an increase in net position in 2024 of \$587,918 and the Storm Water Utility Fund had an increase in net position in 2024 of \$121,663.

**City of Mendota Heights
Management's Discussion and Analysis**

BUDGETARY HIGHLIGHTS

General Fund

The General Fund budget was not amended during 2024.

During the year, revenues exceeded budgeted estimates by \$1,350,150, while expenditures were greater than anticipated by \$217,391. The increased expenditures were in part due to the lease payable expenses associated with our leased squad cars.

The General Fund experienced greater than budgeted revenues in some categories. The City received higher than budgeted amounts for licenses and permits. Intergovernmental revenue was also greater than anticipated. Investment earnings exceeded budgeted amounts. The City takes a conservative approach when budgeting for revenues that are not consistent from year to year.

Overall, the General Fund balance increased by \$987,675, an increase of approximately 7.91%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2024, amounts to \$63,430,646 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure.

**Capital Assets
(Net of Depreciation/Amortization)**

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 8,790,170	\$ 8,790,170	\$ -	\$ -	\$ 8,790,170	\$ 8,790,170
Construction in progress	7,805,247	5,196,320	-	-	7,805,247	5,196,320
Buildings and structures	7,777,941	8,099,834	-	-	7,777,941	8,099,834
Machinery and equipment	3,496,650	3,478,091	498,856	241,186	3,995,506	3,719,277
Leased equipment	556,048	481,266	-	-	556,048	481,266
Subscription asset	62,164	-	-	-	62,164	-
Other improvements	1,661,101	1,046,036	-	-	1,661,101	1,046,036
Storm sewers	-	-	14,444,012	14,437,546	14,444,012	14,437,546
Infrastructure	18,338,457	16,896,582	-	-	18,338,457	16,896,582
Total capital assets	\$ 48,487,778	\$ 43,988,299	\$ 14,942,868	\$ 14,678,732	\$ 63,430,646	\$ 58,667,031

Additional information on the City's capital assets can be found in Note 6.

**City of Mendota Heights
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current year, the City had total long-term debt outstanding of \$21,290,000, an increase of \$725,000 from 2023. \$21,290,000 for general obligation (G.O.) improvement debt which is supported in part by special assessments.

Outstanding Debt

G.O. Improvement Bonds, G.O. Bonds and Revenue Bonds:

	Governmental Activities	
	2024	2023
G.O. Improvement Bonds	\$ 15,820,000	\$ 14,690,000
G.O. Bonds	5,470,000	5,875,000
Total	<u>\$ 21,290,000</u>	<u>\$ 20,565,000</u>

The City maintains a AAA rating from Standard & Poor's.

Minnesota Statutes limit the amount of G.O. debt a Minnesota city may issue to 2% of total estimated market value. The current debt limitation for the City is \$62,395,897. Of the City's outstanding debt, \$5,470,000 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

In 2024, the taxable market value for the City was \$3,119,794,846. This represents an increase of 2.74% from 2023. The City is expecting an increase in taxable market value for 2025.

These factors were considered in preparing the City's budget for 2025.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1101 Victoria Curve, Mendota Heights, Minnesota 55118.

BASIC FINANCIAL STATEMENTS

City of Mendota Heights
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 23,749,700	\$ 3,140,033	\$ 26,889,733
Property tax receivable	100,291	-	100,291
Accounts receivable	163,126	821,348	984,474
Interest receivable	38,891	5,893	44,784
Due from other governments	2,775,286	3,443	2,778,729
Special assessments receivable			
Delinquent	3,866	6,431	10,297
Deferred	2,532,594	35,850	2,568,444
Lease receivable due within one year	27,558	-	27,558
Lease receivable due after one year	2,232,447	-	2,232,447
Inventories	23,271	-	23,271
Prepaid items	385,061	134,904	519,965
Land held for resale	96,100	-	96,100
Capital assets not being depreciated			
Land and improvements	8,790,170	-	8,790,170
Construction in progress	7,805,247	-	7,805,247
Capital assets being depreciated, net of accumulated depreciation/amortization			
Infrastructure	18,338,457	14,444,012	32,782,469
Buildings and structures	7,777,941	-	7,777,941
Other improvements	1,661,100	-	1,661,100
Leased equipment	556,048	-	556,048
Subscription asset	62,164	-	62,164
Machinery and equipment	3,496,651	498,856	3,995,507
Total assets	80,615,969	19,090,770	99,706,739
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	3,723,530	16,744	3,740,274
Deferred outflows of resources related to OPEB	2,778,538	440	2,778,978
Total deferred outflows of resources	6,502,068	17,184	6,519,252
Total assets and deferred outflows of resources	\$ 87,118,037	\$ 19,107,954	\$ 106,225,991
Liabilities			
Accounts and contracts payable	\$ 1,300,789	\$ 114,565	\$ 1,415,354
Deposits payable	-	163,005	163,005
Due to other governments	66,576	8,258	74,834
Salaries and benefits payable	305,100	10,881	315,981
Interest payable	252,040	-	252,040
Bond principal payable			
Payable within one year	2,255,000	-	2,255,000
Payable after one year	20,182,345	-	20,182,345
Lease payable			
Payable within one year	79,589	-	79,589
Payable after one year	515,164	-	515,164
Subscription payable			
Payable within one year	29,822	-	29,822
Payable after one year	31,065	-	31,065
Compensated absences payable			
Payable within one year	536,510	25,971	562,481
Payable after one year	303,410	21,044	324,454
Other post employment benefits (OPEB) payable			
Payable within one year	172,372	-	172,372
Payable after one year	3,265,484	17,414	3,282,898
Net pension liability	3,278,740	68,585	3,347,325
Total liabilities	32,574,006	429,723	33,003,729
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	4,701,783	46,402	4,748,185
Deferred inflows of resources related to lease receivable	2,260,005	-	2,260,005
Deferred inflows of resources related to OPEB	53,840	1,532	55,372
Total deferred inflows of resources	7,015,628	47,934	7,063,562
Net Position			
Net investment in capital assets	25,394,793	14,942,868	40,337,661
Restricted for			
Police forfeiture	30,336	-	30,336
Debt service	6,455,423	-	6,455,423
Capital projects	3,443,001	-	3,443,001
Street light maintenance	24,484	-	24,484
Park dedication	215,732	-	215,732
American Rescue Plan Act	862	-	862
Local affordable housing aid	44,636	-	44,636
Tax increment	82,209	-	82,209
Unrestricted	11,836,927	3,687,429	15,524,356
Total net position	47,528,403	18,630,297	66,158,700
Total liabilities, deferred inflows of resources, and net position	\$ 87,118,037	\$ 19,107,954	\$ 106,225,991

See notes to basic financial statements.

**City of Mendota Heights
Statement of Activities
Year Ended December 31, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 2,801,829	\$ 228,080	\$ 157,963	\$ 43,876	\$ (2,371,910)	\$ -	\$ (2,371,910)
Public safety	6,753,141	693,566	761,501	-	(5,298,074)	-	(5,298,074)
Public works	6,614,732	3,522,715	214,031	2,398,972	(479,014)	-	(479,014)
Economic development	295,547	-	-	-	(295,547)	-	(295,547)
Interest on long-term debt	577,326	-	-	-	(577,326)	-	(577,326)
Total governmental activities	<u>17,042,575</u>	<u>4,444,361</u>	<u>1,133,495</u>	<u>2,442,848</u>	<u>(9,021,871)</u>	<u>-</u>	<u>(9,021,871)</u>
Business-type activities							
Sewer	2,056,849	2,584,598	-	-	-	527,749	527,749
Storm water	397,511	647,637	31,435	-	-	281,561	281,561
Total business-type activities	<u>2,454,360</u>	<u>3,232,235</u>	<u>31,435</u>	<u>-</u>	<u>-</u>	<u>809,310</u>	<u>809,310</u>
Total governmental and business-type activities	<u>\$ 19,496,935</u>	<u>\$ 7,676,596</u>	<u>\$ 1,164,930</u>	<u>\$ 2,442,848</u>	<u>(9,021,871)</u>	<u>809,310</u>	<u>(8,212,561)</u>
General revenues							
Property taxes					12,914,941	-	12,914,941
Franchise fees					382,044	-	382,044
Tax increments					323,631	-	323,631
Unrestricted investment earnings					942,819	142,879	1,085,698
Total general revenues					<u>14,563,435</u>	<u>142,879</u>	<u>14,706,314</u>
Transfers					242,608	(242,608)	-
Change in net position					5,784,172	709,581	6,493,753
Net position - beginning					<u>41,744,231</u>	<u>17,920,716</u>	<u>59,664,947</u>
Net position - ending					<u>\$ 47,528,403</u>	<u>\$ 18,630,297</u>	<u>\$ 66,158,700</u>

See notes to basic financial statements.

City of Mendota Heights
Balance Sheet - Governmental Funds
December 31, 2024

			<u>Capital Projects</u>
	<u>General Fund</u>	<u>Special Assessments Debt Service</u>	<u>Street Capital Projects</u>
Assets			
Cash and investments (including cash equivalents)	\$ 13,296,420	\$ 3,337,088	\$ 1,762,779
Taxes receivable - delinquent	80,331	13,404	-
Special assessments receivable			
Delinquent	1,712	2,154	-
Deferred	29,077	2,447,502	44,412
Accounts receivable	143,485	-	-
Interest receivable	20,033	6,089	4,150
Due from other funds	-	-	-
Due from other governments	277,934	40,099	2,353,470
Lease receivables	2,260,005	-	-
Inventories	23,271	-	-
Prepaid items	367,567	-	-
Land held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 16,499,835</u>	<u>\$ 5,846,336</u>	<u>\$ 4,164,811</u>
Liabilities			
Accounts and contracts payable	\$ 293,632	\$ 3,000	\$ 721,810
Due to other funds	-	-	-
Due to other governments	65,479	-	-
Salaries and benefits payable	299,562	-	-
Total liabilities	<u>658,673</u>	<u>3,000</u>	<u>721,810</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	80,331	13,404	-
Unavailable revenue - state shared tax	-	-	1,273,649
Deferred Inflows of Resources related to lease receivable	2,260,005	-	-
Unavailable revenue - special assessments	30,789	2,449,656	44,412
Total deferred inflows of resources	<u>2,371,125</u>	<u>2,463,060</u>	<u>1,318,061</u>
Fund Balances			
Nonspendable	390,838	-	-
Restricted	-	3,380,276	2,124,940
Committed	-	-	-
Assigned	-	-	-
Unassigned	13,079,199	-	-
Total fund balances	<u>13,470,037</u>	<u>3,380,276</u>	<u>2,124,940</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,499,835</u>	<u>\$ 5,846,336</u>	<u>\$ 4,164,811</u>

Other Governmental Funds	Total Governmental Funds
\$ 4,430,691	\$ 22,826,978
6,556	100,291
-	3,866
11,603	2,532,594
11,156	154,641
8,238	38,510
630,940	630,940
103,783	2,775,286
-	2,260,005
-	23,271
7,811	375,378
96,100	96,100
<u>\$ 5,306,878</u>	<u>\$ 31,817,860</u>
\$ 282,347	\$ 1,300,789
630,940	630,940
991	66,470
1,107	300,669
<u>915,385</u>	<u>2,298,868</u>
6,556	100,291
-	1,273,649
-	2,260,005
11,603	2,536,460
<u>18,159</u>	<u>6,170,405</u>
7,811	398,649
1,256,096	6,761,312
1,566,538	1,566,538
2,157,102	2,157,102
(614,213)	12,464,986
<u>4,373,334</u>	<u>23,348,587</u>
<u>\$ 5,306,878</u>	<u>\$ 31,817,860</u>

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

Total fund balances - governmental funds	\$ 23,348,587
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	85,643,581
Less accumulated depreciation/amortization	(37,648,269)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
General obligation (G.O.) bond principal payable	(21,290,000)
Lease payable	(594,753)
Subscription payable	(60,887)
Unamortized bond premium	(1,147,345)
OPEB payable	(3,426,487)
Net pension liability	(3,247,741)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(4,680,811)
Deferred outflows of resources related to pensions	3,715,962
Deferred outflows of resources related to OPEB	2,778,251
Deferred inflows of resources related to OPEB	(52,840)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	100,291
Special assessments	3,866
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	2,532,594
State shared tax	1,273,649
Governmental funds do not report a liability for accrued interest until due and payable.	(252,040)
Internal service funds are used by management to charge the cost of engineering, compensated absences and City Hall expenses to individual funds. The net position of the funds are considered governmental and included in the government-wide Statement of Net Position.	
	532,795
Total net position - governmental activities	<u>\$ 47,528,403</u>

City of Mendota Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2024

			<u>Capital Projects</u>
	<u>General Fund</u>	<u>Special Assessments Debt Service</u>	<u>Street Capital Projects</u>
Revenues			
Property taxes	\$ 10,402,220	\$ 1,754,329	\$ -
Tax increments	-	-	-
Franchise fees	382,044	-	-
Special assessments	-	350,448	753,428
Licenses and permits	769,288	-	-
Intergovernmental	886,048	-	-
Charges for services	698,812	-	-
Fines and forfeitures	66,961	1,171	4
Miscellaneous revenue			
Investment income	485,740	147,548	100,644
Refunds and reimbursements	-	-	2,111,457
Other	321,158	-	-
Total revenues	<u>14,012,271</u>	<u>2,253,496</u>	<u>2,965,533</u>
Expenditures			
Current			
General government	2,275,110	-	-
Public safety	6,097,209	-	-
Public works	3,944,090	-	-
Economic development	-	-	-
Debt service			
Principal	133,600	1,625,000	-
Interest and other charges	-	486,560	-
Capital outlay			
General government	-	-	-
Public safety	399,283	-	-
Public works	77,770	-	5,824,958
Total expenditures	<u>12,927,062</u>	<u>2,111,560</u>	<u>5,824,958</u>
Excess of revenues over (under) expenditures	1,085,209	141,936	(2,859,425)
Other Financing Sources (Uses)			
Issuance of debt	-	2,755,000	-
Bond premium	-	337,154	-
Issuance of leases and subscription liabilities	300,919	-	-
Insurance recoveries	97,985	-	-
Transfers in	47,550	-	3,402,488
Transfers out	(543,988)	(2,935,191)	(83,127)
Total other financing sources (uses)	<u>(97,534)</u>	<u>156,963</u>	<u>3,319,361</u>
Net change in fund balances	987,675	298,899	459,936
Fund Balances			
Beginning of year	<u>12,482,362</u>	<u>3,081,377</u>	<u>1,665,004</u>
End of year	<u>\$ 13,470,037</u>	<u>\$ 3,380,276</u>	<u>\$ 2,124,940</u>

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 730,728	\$ 12,887,277
323,631	323,631
-	382,044
-	1,103,876
-	769,288
217,100	1,103,148
452,088	1,150,900
168	68,304
199,658	933,590
-	2,111,457
67,895	389,053
<u>1,991,268</u>	<u>21,222,568</u>
108,465	2,383,575
8,188	6,105,397
499,559	4,443,649
295,547	295,547
405,000	2,163,600
181,225	667,785
114,405	114,405
148,176	547,459
1,195,259	7,097,987
<u>2,955,824</u>	<u>23,819,404</u>
(964,556)	(2,596,836)
-	2,755,000
-	337,154
-	300,919
-	97,985
780,522	4,230,560
<u>(185,024)</u>	<u>(3,747,330)</u>
<u>595,498</u>	<u>3,974,288</u>
(369,058)	1,377,452
<u>4,742,392</u>	<u>21,971,135</u>
<u>\$ 4,373,334</u>	<u>\$ 23,348,587</u>

**City of Mendota Heights
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2024**

Net change in fund balances - governmental funds	\$ 1,377,452
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	7,713,507
Depreciation expense	(2,882,659)
Loss on disposal of capital assets	(1,603)
Loss on disposal of leased assets	(53,366)
Assets contributed to enterprise funds	(240,622)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	143,733
OPEB are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.	(274,719)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	2,163,600
Premiums on the issuance of long-term debt provide current financial resources to governmental funds and have no effect on net position. These amounts are reported in the governmental funds as an other financing source and constitute long-term liabilities in the Statement of Net Position.	(337,154)
Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities.	101,042
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(10,583)
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no effect on net position in the Statement of Activities.	
Bonds payable	(2,755,000)
Lease payable	(240,032)
Subscription payable	(60,887)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,148,199
Activities of the internal service funds are presented separately from the governmental funds. However, the functions, from a government-wide perspective, are governmental.	(6,736)
Change in net position - governmental activities	<u>\$ 5,784,172</u>

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

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 10,356,289	\$ 10,402,220	\$ 45,931
Franchise fees	350,000	382,044	32,044
Licenses and permits	410,000	769,288	359,288
Intergovernmental	628,914	886,048	257,134
Charges for services	719,918	698,812	(21,106)
Fines and forfeitures	72,000	66,961	(5,039)
Miscellaneous revenues			
Investment income	20,000	485,740	465,740
Other	105,000	321,158	216,158
Total revenues	<u>12,662,121</u>	<u>14,012,271</u>	<u>1,350,150</u>
Expenditures			
Current			
General government	2,267,018	2,275,110	8,092
Public safety	6,211,559	6,097,209	(114,350)
Public works	4,098,094	3,944,090	(154,004)
Debt service:			
Principal	133,000	133,600	600
Capital outlay			
Public safety	-	399,283	399,283
Public works	-	77,770	77,770
Total expenditures	<u>12,709,671</u>	<u>12,927,062</u>	<u>217,391</u>
Excess of revenues over (under) expenditures	(47,550)	1,085,209	1,132,759
Other Financing Sources (Uses)			
Issuance of leases and subscription liabilities	-	300,919	300,919
Insurance recoveries	-	97,985	97,985
Transfers in	47,550	47,550	-
Transfers out	-	(543,988)	(543,988)
Total other financing sources (uses)	<u>47,550</u>	<u>(97,534)</u>	<u>(145,084)</u>
Net change in fund balance	<u>\$ -</u>	<u>987,675</u>	<u>\$ 987,675</u>
Fund Balance			
Beginning of year		<u>12,482,362</u>	
End of year		<u>\$ 13,470,037</u>	

City of Mendota Heights
Statement of Net Position - Proprietary Funds
December 31, 2024

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Assets				
Current assets				
Cash and investments	\$ 2,256,542	\$ 883,491	\$ 3,140,033	\$ 922,722
Special assessment receivable				
Delinquent	6,431	-	6,431	-
Deferred	35,850	-	35,850	-
Accounts receivable	655,251	166,097	821,348	8,485
Interest receivable	3,981	1,912	5,893	381
Due from other governments	3,443	-	3,443	-
Prepaid expenses	134,904	-	134,904	9,683
Total current assets	<u>3,096,402</u>	<u>1,051,500</u>	<u>4,147,902</u>	<u>941,271</u>
Noncurrent assets				
Capital assets not being depreciated				
Land	-	-	-	25,000
Capital assets being depreciated				
Buildings	-	-	-	2,279,024
Sewer main lines and storm sewers	15,636,563	5,727,085	21,363,648	-
Improvements other than buildings	-	-	-	40,781
Machinery and equipment	769,265	-	769,265	66,969
Total capital assets	<u>16,405,828</u>	<u>5,727,085</u>	<u>22,132,913</u>	<u>2,411,774</u>
Less accumulated depreciation	<u>(6,372,270)</u>	<u>(817,775)</u>	<u>(7,190,045)</u>	<u>(1,919,308)</u>
Net capital assets	<u>10,033,558</u>	<u>4,909,310</u>	<u>14,942,868</u>	<u>492,466</u>
Total assets	<u>13,129,960</u>	<u>5,960,810</u>	<u>19,090,770</u>	<u>1,433,737</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	13,983	2,761	16,744	7,568
Deferred outflows of resources related to OPEB	378	62	440	287
Total deferred outflows of resources	<u>14,361</u>	<u>2,823</u>	<u>17,184</u>	<u>7,855</u>
Total assets and deferred outflows of resources	<u>\$ 13,144,321</u>	<u>\$ 5,963,633</u>	<u>\$ 19,107,954</u>	<u>\$ 1,441,592</u>
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 68,527	\$ 46,038	\$ 114,565	\$ -
Developers' escrow deposits	-	163,005	163,005	-
Salaries and benefits payable	9,458	1,423	10,881	4,431
Due to other governments	6,738	1,520	8,258	106
Noncurrent liabilities due within one year	25,971	-	25,971	536,510
Total current liabilities	<u>110,694</u>	<u>211,986</u>	<u>322,680</u>	<u>541,047</u>
Noncurrent liabilities				
Compensated absences	47,015	-	47,015	839,920
OPEB payable	14,961	2,453	17,414	11,369
Net pension liability	57,275	11,310	68,585	30,999
Less amount due within one year	<u>(25,971)</u>	<u>-</u>	<u>(25,971)</u>	<u>(536,510)</u>
Total noncurrent liabilities	<u>93,280</u>	<u>13,763</u>	<u>107,043</u>	<u>345,778</u>
Total liabilities	<u>203,974</u>	<u>225,749</u>	<u>429,723</u>	<u>886,825</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to OPEB	1,316	216	1,532	1,000
Deferred inflows of resources related to pensions	38,750	7,652	46,402	20,972
Total deferred inflows of resources	<u>40,066</u>	<u>7,868</u>	<u>47,934</u>	<u>21,972</u>
Net Position				
Investment in capital assets	10,033,558	4,909,310	14,942,868	492,466
Unrestricted	2,866,723	820,706	3,687,429	40,329
Total net position	<u>12,900,281</u>	<u>5,730,016</u>	<u>18,630,297</u>	<u>532,795</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,144,321</u>	<u>\$ 5,963,633</u>	<u>\$ 19,107,954</u>	<u>\$ 1,441,592</u>

See notes to basic financial statements.

City of Mendota Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2024

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Operating Revenues				
Charges for services	\$ 2,547,161	\$ 647,637	\$ 3,194,798	\$ 260,000
Operating Expenses				
Wages and salaries	193,989	27,823	221,812	78,913
Employee benefits	66,472	7,518	73,990	38,651
Materials and supplies	37,012	106	37,118	13,181
Repairs and maintenance	151,238	235,900	387,138	-
Professional services	22,014	32,249	54,263	5,280
Insurance	10,139	-	10,139	7,097
Utilities	18,042	-	18,042	33,798
Depreciation	212,231	57,271	269,502	35,778
Travel	34	-	34	-
Miscellaneous	30,930	36,644	67,574	63,267
Sewer charges - MCES	1,314,748	-	1,314,748	-
Total operating expenses	<u>2,056,849</u>	<u>397,511</u>	<u>2,454,360</u>	<u>275,965</u>
Operating income (loss)	490,312	250,126	740,438	(15,965)
Nonoperating Revenues				
Investment income	96,519	46,360	142,879	9,229
Fines and forfeitures	1,300	-	1,300	-
Special assessments	5,102	-	5,102	-
Intergovernmental revenue	-	31,435	31,435	-
Other income	31,035	-	31,035	-
Total nonoperating revenues	<u>133,956</u>	<u>77,795</u>	<u>211,751</u>	<u>9,229</u>
Change in net position before capital contributions and transfers	624,268	327,921	952,189	(6,736)
Capital contributions	54,264	186,358	240,622	-
Transfers out	<u>(90,614)</u>	<u>(392,616)</u>	<u>(483,230)</u>	<u>-</u>
Change in net position	587,918	121,663	709,581	(6,736)
Net Position				
Beginning of year	<u>12,312,363</u>	<u>5,608,353</u>	<u>17,920,716</u>	<u>539,531</u>
End of year	<u>\$ 12,900,281</u>	<u>\$ 5,730,016</u>	<u>\$ 18,630,297</u>	<u>\$ 532,795</u>

City of Mendota Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2024

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 2,489,517	\$ 629,475	\$ 3,118,992	\$ 260,000
Payments to suppliers	(1,532,769)	(268,119)	(1,800,888)	(138,872)
Payments to employees	(259,131)	(36,099)	(295,230)	(29,461)
Miscellaneous revenue	47,590	-	47,590	-
Net cash flows - operating activities	<u>745,207</u>	<u>325,257</u>	<u>1,070,464</u>	<u>91,667</u>
Cash Flows - Noncapital Financing Activities				
Transfer to other funds	(90,614)	(392,616)	(483,230)	-
Intergovernmental revenue	-	31,435	31,435	-
Net cash flows - noncapital financing activities	<u>(90,614)</u>	<u>(361,181)</u>	<u>(451,795)</u>	<u>-</u>
Cash Flows - Investing Activities				
Interest and dividends received	<u>94,677</u>	<u>45,717</u>	<u>140,394</u>	<u>9,072</u>
Net change in cash and cash equivalents	456,252	9,793	466,045	100,739
Cash and Cash Equivalents				
Beginning of year	<u>1,800,290</u>	<u>873,698</u>	<u>2,673,988</u>	<u>821,983</u>
End of year	<u>\$ 2,256,542</u>	<u>\$ 883,491</u>	<u>\$ 3,140,033</u>	<u>\$ 922,722</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ 490,312	\$ 250,126	\$ 740,438	\$ (15,965)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Operating activities				
Miscellaneous revenue	47,590	-	47,590	-
Depreciation expense	212,231	57,271	269,502	35,778
Accounts receivable	(58,659)	(18,162)	(76,821)	-
Due from other governments	1,015	-	1,015	-
Prepaid items	(10,526)	-	(10,526)	(67)
Developers' excrow deposits	-	29,100	29,100	-
Accounts and contracts payable	59,518	6,160	65,678	(16,173)
Due to other governmental units	2,396	1,520	3,916	(9)
Salaries payable	1,968	257	2,225	650
OPEB payable	8,390	1,378	9,768	6,257
Pension related items	(15,661)	(2,393)	(18,054)	(9,966)
Compensated absences payable	6,633	-	6,633	91,162
Total adjustments	<u>254,895</u>	<u>75,131</u>	<u>330,026</u>	<u>107,632</u>
Net cash flows - operating activities	<u>\$ 745,207</u>	<u>\$ 325,257</u>	<u>\$ 1,070,464</u>	<u>\$ 91,667</u>

See notes to basic financial statements.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mendota Heights is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

The Internal Service Funds are presented in the internal service fund financial statements. Because the principal user of internal services is the City's governmental activities, the financial statements of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 provider have been met.

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

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

Description of Funds:

Major Governmental Funds:

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

Special Assessments Debt Service Fund - This fund receives all special assessment payments and is dedicated for the repayment of debt incurred on a specific project.

Street Capital Projects Fund - This fund is used to account for the proceeds and disbursements of funds for street improvement expenditures.

Proprietary Funds:

Sewer Utility Fund - This fund is used to account for the City's sewer utility.

Storm Water Utility Fund - This fund is used to account for the City's storm water utility.

Additional Fund Types:

Internal Service Funds - These funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's Internal Service Funds account for compensated absences and City Hall expenses.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

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

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

When both restricted and unrestricted resources are available for use, the City uses restricted resources first, then unrestricted resources as they are needed. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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

1. Deposits and Investments

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

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Minnesota Statutes requires all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Dakota County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying 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.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. Inventory consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventory - land held for resale represents land owned by the City with the intent to sell to developers. This land is recorded at the expected net realizable value.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, easements, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15 - 100
Other improvements	10 - 40
Machinery and equipment	3 - 25
Infrastructure	30 - 100

6. Lease Receivable

The City is a lessor for numerous noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and state shared tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

8. Compensated Absences\Severance

The City allows employees to accrue vacation based on years of service to carry over to the next year. Accrued vacation shall be used in the year following the year which said time is earned and any time accrued will be paid out at termination. At the end of the year the vacation balance cannot exceed 200 hours.

All permanent full-time employees accrue personal leave at the rate of 4 hours per month, to a maximum of 320 hours. Any balances in excess of 320 hours will be converted to cash compensation or additional vacation time at a ratio of 50%.

All compensated absences pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to. The unused vacation and sick leave of the proprietary funds is included in accrued liabilities of the respective fund.

9. 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 premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

11. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact.
- **Restricted Fund Balances** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balances** - These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- **Assigned Fund Balances** - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Administrator or Finance Director based on the City Council's direction.
- **Unassigned Fund Balances** - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

- The City will strive to maintain a General Fund unassigned fund balance of 75% of the following year's budgeted operating expenditures.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

E. Budgetary Information

The City Council adopts an annual budget for the General Fund and certain special revenue and capital project funds. The American Rescue Plan Act special revenue fund is not budgeted for. The amounts shown in the financial statements as "budget" represent the original budgeted amount, and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator prepares and presents to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget included proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council deliberates on and adopts the budget on a basis consistent with accounting principles generally accepted in the United States of America and legally enacts the budget by passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The City Council must approve any budget appropriation transfers between departments and any increases in budget appropriations to the extent actual revenues exceed estimated revenues.
6. Reported budget amounts are as originally adopted or as amended by the City Council approved supplemental appropriations and budget transfers.

Annual appropriations lapse at year-end. No revisions were made to the budgets during the year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

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

Other Nonmajor Capital Projects Fund	
Special Assessment Capital Project	\$ 614,213

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed on the financial statements as "cash and cash equivalents" or "investments." For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below.

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risks - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City addresses custodial credit risk by having the authority from the City Council to maintain deposits with various financial institutions that are members of the Federal Reserve System. The City's policy states all deposits must be collateralized in compliance with *Minnesota Statutes* § 118A. As of December 31, 2024, the City's bank balance was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC) and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

As of December 31, 2024, the City had deposits as follows:

Checking	\$ 295,556
Certificates of deposit	<u>15,127</u>
Total deposits	<u><u>\$ 310,683</u></u>

B. Investments

As of December 31, 2024, the City had the following investments:

Investment Type	Credit Ratings	Fair Value 12/31/24	Investment Maturities	
			Less Than 1 Year	1 - 5 Years
Negotiable CD's	NR	\$ 3,948,909	\$ 487,645	\$ 3,461,264
US Government Securities	AA+	3,300,335	979,569	2,320,766
Money Market Funds	NR	<u>19,329,106</u>	<u>19,329,106</u>	<u>-</u>
Total		<u><u>\$ 26,578,350</u></u>	<u><u>\$ 20,796,320</u></u>	<u><u>\$ 5,782,030</u></u>

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments based on type. The City's investment policy addresses credit quality by allowing the City to invest only in instruments permitted by *Minnesota Statutes* § 118A.04-05.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's policy states the City will attempt to diversify its investments according to type and maturity. The policy states the portfolio will contain both short-term and long-term investments and will attempt to match its investments with anticipated cash flow requirements. The City's investments in FHLB exceeded 5% of the City's portfolio and was therefore subject to concentration of credit risk.

Custodial Credit Risk - Investments: 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 investments or collateral securities that are in the possession of an outside party. The City's investment policy states that to ensure safety when considering an investment, it is verified to make certain funds in excess of insurance are not made at the same institution. The City's brokers carry SIPC and private insurance to cover the City's investment holdings; however, given the size of the City's portfolio in relation to the insurance, it is unlikely the City would receive the full value of their investments upon default of the counterparty.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states the City will hold investments with laddered maturities so that funds become available on a regular schedule.

The City has the following recurring fair value measurements as of December 31, 2024:

- \$19,329,106 investments are valued using calculated Net Asset Value (Level 1 inputs)
- \$7,249,244 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3. A.)	\$ 310,683
Investments (Note 3.B.)	26,578,350
Petty cash	<u>700</u>
 Total cash and investments	 <u><u>\$ 26,889,733</u></u>

Deposits and investments are presented in the December 31, 2024, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 26,889,733</u></u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 4 - INTERFUND ACTIVITIES

A. Interfund Receivables and Payable

The following is a summary of the City's due to/due from other funds at December 31, 2024:

Fund	Due to	Due from	Reason
Other governmental funds	\$ 630,940	\$ 630,940	Cash deficit

The balances above will be repaid as financing becomes available.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2024, was as follows:

	Transfers In			Total
	General	Street Capital Projects	Other Governmental Funds	
Transfers out				
General	\$ -	\$ -	\$ 543,988	\$ 543,988
Special assessments				
debt service	22,250	2,912,941	-	2,935,191
Street capital projects	-	-	83,127	83,127
Other governmental funds	4,500	27,117	153,407	185,024
Sewer utility	11,150	79,464	-	90,614
Storm Water Utility	9,650	382,966	-	392,616
Total	\$ 47,550	\$ 3,402,488	\$ 780,522	\$ 4,230,560

The purpose of the above transfers is to distribute bond proceeds and to provide funding for capital improvement projects, capital outlay, and operating purposes.

NOTE 5 - LEASE RECEIVABLE

The City leases three cell towers. Revenue from these leases for the year ended December 31, 2024, was \$144,990.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land and improvements	\$ 8,790,170	\$ -	\$ -	\$ 8,790,170
Construction in progress	5,196,320	6,653,787	4,044,860	7,805,247
Total capital assets not being depreciated /amortized	<u>13,986,490</u>	<u>6,653,787</u>	<u>4,044,860</u>	<u>16,595,417</u>
Capital assets being depreciated/amortized				
Buildings and structures	12,946,005	-	-	12,946,005
Machinery and equipment	8,166,645	446,136	610,050	8,002,731
Leased equipment	666,314	319,454	100,990	884,778
Subscription asset	-	93,246	-	93,246
Other improvements	3,175,315	750,687	10,424	3,915,578
Infrastructure	42,363,165	3,254,435	-	45,617,600
Total capital assets being depreciated /amortized	<u>67,317,444</u>	<u>4,863,958</u>	<u>721,464</u>	<u>71,459,938</u>
Less accumulated depreciation/ amortization for				
Buildings and structures	4,846,171	321,893	-	5,168,064
Machinery and equipment	4,688,554	425,974	608,447	4,506,081
Leased equipment	185,048	191,306	47,624	328,730
Subscription asset	-	31,082	-	31,082
Other improvements	2,129,279	135,622	10,424	2,254,477
Infrastructure	25,466,583	1,812,560	-	27,279,143
Total accumulated depreciation/amortization	<u>37,315,635</u>	<u>2,918,437</u>	<u>666,495</u>	<u>39,567,577</u>
Total capital assets being depreciated/amortized, net	<u>30,001,809</u>	<u>1,945,521</u>	<u>54,969</u>	<u>31,892,361</u>
Governmental activities capital assets, net	<u><u>\$ 43,988,299</u></u>	<u><u>\$ 8,599,308</u></u>	<u><u>\$ 4,099,829</u></u>	<u><u>\$ 48,487,778</u></u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 476,246	\$ 293,019	\$ -	\$ 769,265
Sewer main lines and storm sewers	21,123,028	240,620	-	21,363,648
Total capital assets being depreciated	21,599,274	533,639	-	22,132,913
Less accumulated depreciation for				
Machinery and equipment	235,060	35,349	-	270,409
Sewer main lines and storm sewers	6,685,483	234,153	-	6,919,636
Total accumulated depreciation	6,920,543	269,502	-	7,190,045
Total capital assets being depreciated, net	14,678,731	264,137	-	14,942,868
Business-type activities capital assets, net	<u>\$ 14,678,731</u>	<u>\$ 264,137</u>	<u>\$ -</u>	<u>\$ 14,942,868</u>

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

Governmental activities	
General government	\$ 195,051
Public safety	635,762
Public works	2,051,846
Internal service funds	35,778
Total depreciation/amortization expense - governmental activities	<u>\$ 2,918,437</u>
Business-type activities	
Sewer utility	\$ 212,231
Storm water utility	57,271
Total depreciation expense - business-type activities	<u>\$ 269,502</u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT

A. G.O. Bonds

The City issues G.O. Bonds to provide for financing street improvements, major capital equipment purchases and utility improvements. Debt service is funded through property taxes, special assessments, and utility charges.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City.

B. Components of Long-Term Liabilities

	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities					
Government activities					
G.O. Improvement Bonds, including					
Refunding Bonds					
G.O. Improvement Bonds, Series 2014A	0.85%-3.40%	\$ 1,030,000	02/01/35	\$ 395,000	\$ 85,000
G.O. Refunding Bond, Series 2014B	1.50%-3.00%	885,000	02/01/27	215,000	70,000
G.O. Improvement Bonds 2015A	.90%-3.00%	1,200,000	02/01/36	665,000	75,000
G.O. Refunding Bond, Series 2015C	2.00%-2.50%	1,995,000	02/01/28	670,000	165,000
G.O. Reconstruction Bonds, Series 2016A	1.00%-2.50%	1,020,000	02/01/37	550,000	80,000
G.O. Improvement Bonds of 2017A	2.00%-2.50%	1,340,000	02/01/30	785,000	130,000
G.O. Improvement Bonds of 2018A	3.00%-4.00%	1,080,000	02/01/30	670,000	110,000
G.O. Improvement Bonds of 2019A	2.00%-3.00%	3,035,000	02/01/31	1,745,000	300,000
G.O. Improvement Bonds of 2020A	1.20%-2.00%	3,295,000	02/01/32	2,480,000	315,000
G.O. Improvement Bonds of 2021A	2.00%-3.00%	2,420,000	02/01/34	1,995,000	320,000
G.O. Improvement Bonds of 2022A	5.00%-4.00%	1,880,000	02/01/33	1,880,000	185,000
G.O. Improvement Bonds of 2023A	4.00%-5.00%	1,015,000	02/01/34	1,015,000	-
G.O. Improvement Bonds of 2024A	5.00%	2,755,000	02/01/35	2,755,000	-
Total improvement bonds				<u>15,820,000</u>	<u>1,835,000</u>
G.O. Bonds, including refunding bonds					
G.O. Capital Improvement Plan Bonds	3.00%-4.00%	7,000,000	02/01/35	<u>5,470,000</u>	<u>420,000</u>
Lease Liability				594,753	79,589
Subscription Liability				60,887	29,822
Net Premium on Bonds				1,147,345	-
Compensated absences payable				<u>839,920</u>	<u>536,510</u>
Total governmental activities				<u>23,932,905</u>	<u>2,900,921</u>
Business-type activities					
Compensated absences payable				<u>47,015</u>	<u>25,971</u>
Total all long-term liabilities				<u>\$ 23,979,920</u>	<u>\$ 2,926,892</u>

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

Debt Service Funds will be used to pay general government principal and interest liabilities. The General Fund and Sewer Utility Fund will pay for the corresponding compensated absence liability. The General Fund will pay the lease liability.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvements Bonds	\$ 14,690,000	\$ 2,755,000	\$ 1,625,000	\$ 15,820,000	\$ 1,835,000
G.O. Bonds	5,875,000	-	405,000	5,470,000	420,000
Leases Liability	488,321	240,032	133,600	594,753	79,589
Subscription Liability	-	60,887	-	60,887	29,822
Unamortized premium	911,233	337,154	101,042	1,147,345	-
Compensated absences payable	748,758	790,118	698,956	839,920	536,510
Total governmental activities	<u>22,713,312</u>	<u>4,183,191</u>	<u>2,963,598</u>	<u>23,932,905</u>	<u>2,900,921</u>
Business-type activities					
Compensated absences payable	<u>40,382</u>	<u>40,288</u>	<u>33,655</u>	<u>47,015</u>	<u>25,971</u>
Total government	<u>\$ 22,753,694</u>	<u>\$ 4,223,479</u>	<u>\$ 2,997,253</u>	<u>\$ 23,979,920</u>	<u>\$ 2,926,892</u>

D. Long-Term Debt

The annual requirements to amortize all bonded debt outstanding follows:

Year Ending December 31,	Governmental Activities					
	Improvement Bonds			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,835,000	\$ 457,369	\$ 2,292,369	\$ 420,000	\$ 164,250	\$ 584,250
2026	1,860,000	439,018	2,299,018	435,000	147,150	582,150
2027	2,010,000	378,014	2,388,014	455,000	131,625	586,625
2028	1,960,000	313,208	2,273,208	470,000	117,750	587,750
2029	1,760,000	251,970	2,011,970	480,000	103,500	583,500
2030-2034	5,840,000	545,135	6,385,135	2,635,000	288,825	2,923,825
2035-2037	555,000	15,262	570,262	575,000	8,625	583,625
Total	<u>\$ 15,820,000</u>	<u>\$ 2,399,975</u>	<u>\$ 18,219,975</u>	<u>\$ 5,470,000</u>	<u>\$ 961,725</u>	<u>\$ 6,431,725</u>

The City leases 12 squad cars and vehicle and body camera equipment under noncancelable leases. The City also has an agreement with Saint Paul Regional Water Services that the City pays half of the cell tower revenue for those located on the water tower to SPRWS.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

D. Long-Term Debt (Continued)

The following is a schedule by years of future minimum payments required under the leases as of December 31, 2024:

Year Ending December 31,	Lease Payable		
	Principal	Interest	Total
2025	\$ 79,589	\$ 16,577	\$ 96,166
2026	131,077	22,607	153,684
2027	105,730	16,711	122,441
2028	56,949	13,086	70,035
2029	18,184	10,666	28,850
2030-2034	131,156	36,229	167,385
2035-2039	72,068	3,723	75,791
Total	<u>\$ 594,753</u>	<u>\$ 119,599</u>	<u>\$ 714,352</u>

Year Ending December 31,	Subscription Payable		
	Principal	Interest	Total
2025	\$ 29,822	\$ 2,537	\$ 32,359
2026	31,065	1,295	32,359
Total	<u>\$ 60,887</u>	<u>\$ 3,832</u>	<u>\$ 64,719</u>

NOTE 8 - CONDUIT DEBT

From time-to-time, the City has issued Industrial Development and Housing Mortgage Revenue Bonds in accordance with the Minnesota Municipal Industrial Development Act. These obligations are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the City, the State of Minnesota, nor any political subdivision thereof, is obligated in any manner for the repayment of the obligations. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

The aggregate amount of all conduit debt obligations outstanding as of December 31, 2024, was \$12,838,700.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 9 - FUND BALANCE DETAIL

Fund equity balances are classified below to reflect the limitations and restrictions of the respective Funds.

	General Fund	Special Assessment Debt Service	Street Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories	\$ 23,271	\$ -	\$ -	\$ -	\$ 23,271
Prepaid items	367,567	-	-	7,811	375,378
Restricted					
Park dedication fees	-	-	-	215,732	215,732
Capital projects	-	-	2,124,940	-	2,124,940
Street light maintenance	-	-	-	23,220	23,220
Police	-	-	-	30,336	30,336
Debt service	-	3,380,276	-	859,101	4,239,377
Grant Funding	-	-	-	45,498	45,498
Tax increment financing	-	-	-	82,209	82,209
Committed					
Water system maintenance	-	-	-	1,265,983	1,265,983
Par 3 golf course	-	-	-	150,020	150,020
Emergency preparedness and civil defense	-	-	-	150,535	150,535
Assigned					
Capital projects	-	-	-	2,157,102	2,157,102
Unassigned	13,079,199	-	-	(614,213)	12,464,986
Total	<u>\$ 13,470,037</u>	<u>\$ 3,380,276</u>	<u>\$ 2,124,940</u>	<u>\$ 4,373,334</u>	<u>\$ 23,348,587</u>

NOTE 10 - RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance or settlements in excess of insurance coverage for any of the past three years.

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is not retrospectively rated. However, the actual premium is adjusted based on audited payroll amounts.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2024, was \$559,644. The components of pension expense are noted in the following plan summaries.

The General Fund and Sewer and Stormwater Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *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

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.

Public Employees Police and Fire Plan

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

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.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 5 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 Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Police and Fire Plan Benefits

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

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

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$226,381. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$394,207. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$1,221,526 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$31,586.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City'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 0.0330% at the end of the measurement period and 0.0316% for the beginning of the period.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

City's proportionate share of the net pension liability	\$ 1,221,526
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>31,586</u>
Total	<u><u>\$ 1,253,112</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$153,504 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$847 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 schedule 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 \$56,204 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 113,373	\$ -
Changes in actuarial assumptions	5,848	447,596
Net difference between projected and actual investment earnings	-	347,151
Changes in proportion	65,800	31,680
Contributions paid to PERA subsequent to the measurement date	<u>113,190</u>	<u>-</u>
Total	<u><u>\$ 298,211</u></u>	<u><u>\$ 826,427</u></u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$113,190 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (361,741)
2026	(58,282)
2027	(127,761)
2028	<u>(93,622)</u>
Total	<u>\$ (641,406)</u>

At December 31, 2024, the City reported a liability of \$2,125,799 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City'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 0.1616% at the end of the measurement period and 0.1568% for the beginning of the period.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$81,035.

City's proportionate share of the net pension liability	\$ 2,125,799
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>81,035</u>
Total	<u><u>\$ 2,206,834</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$406,140 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$7,869 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City also recognized \$14,542 for the year ended December 31, 2024, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 817,694	\$ -
Changes in actuarial assumptions	2,330,353	3,038,127
Net difference between projected and actual investment earnings	-	660,797
Changes in proportion	96,913	222,834
Contributions paid to PERA subsequent to the measurement date	<u>197,103</u>	<u>-</u>
Total	<u><u>\$ 3,442,063</u></u>	<u><u>\$ 3,921,758</u></u>

The \$197,103 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (106,147)
2026	517,516
2027	(315,732)
2028	(835,185)
2029	<u>62,750</u>
Total	<u><u>\$ (676,798)</u></u>

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial 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%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered to be reasonable by the actuary. An investment return of 7.0% is within range.

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

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

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

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Plan Provisions

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

G. Discount Rate

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

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 2,668,009	\$ 1,221,526	\$ 31,661
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 5,023,674	\$ 2,125,799	\$ (253,966)

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.

Defined Contribution Pension Plan - Volunteer Firefighter's Relief Association

The Mendota Heights Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Mendota Heights Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mendota Heights Firefighter's Association, 2121 Dodd Road Mendota Heights, Minnesota 55120 or by calling 651-249-7640.

The City contributes to the Mendota Heights Volunteer Fire Department Relief Association (the "Association") that provides pension benefits to its members under a single employer defined contribution plan. Since fire department members are volunteers, contributions to the Association are not based on payroll but rather on years of active service. All active firefighters may apply for membership in the Association and shall become a member immediately upon approval by the Board of Trustees.

**City of Mendota Heights
Notes to Basic Financial Statements**

NOTE 11 - PENSION PLANS (CONTINUED)

Defined Contribution Pension Plan - Volunteer Firefighter's Relief Association (Continued)

Under an Annual Contribution Agreement, the City's contribution to the Association is determined by multiplying \$7,000 by the number of years of active service completed by members of the Association for the plan year, prorated by months for members who did not complete a full year of active service. The City also contributes a portion of the Association's administrative fees each year. For 2024, that contribution was \$239,190. Required and actual employer contributions to the plan during 2024 were \$239,190. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2024, the state aid was \$151,179. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 4% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single employer defined benefit healthcare plan to eligible retirees (as required by *Minnesota Statute* § 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute* § 299A.465). The required contributions are based on projected pay-as-you-go financing requirements. As of January 1, 2024, there were 17 retirees participating in the City's healthcare plan.

B. Benefits Provided

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield and Delta Dental.

C. Contributions

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2024, the City contributed \$172,027.

D. Members

As of January 1, 2024, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Active employees	43
	<hr/>
Total	60
	<hr/> <hr/>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Inflation	2.50%
Healthcare cost trend increases	6.50% initially, grading to 5% over six years and then to 4.00% over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2024, valuation were based on the results of an actuarial experience study for the period January 1, 2023, through January 1, 2024.

The discount rate used to measure the total OPEB liability was 3.70% based on 20-year municipal G.O. Bonds.

F. Total OPEB Liability

The City's total OPEB liability of \$3,455,270 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2024.

	<u>Total OPEB Liability</u>
Balance at January 1, 2023	\$ 1,031,273
Changes for the year	
Service cost	19,961
Interest	38,126
Changes of assumptions	176,395
Differences between expected and actual experience	2,387,617
Benefit payments	<u>(198,102)</u>
Net changes	<u>2,423,997</u>
Balance at January 1, 2024	<u><u>\$ 3,455,270</u></u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect the following changes:

- The discount rate was changed from 4.00% to 3.70%.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 3.70% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (2.70%)	Current in Discount Rate (3.70%)	1% Increase in Discount Rate (4.70%)
\$ 3,827,575	\$ 3,455,270	\$ 3,136,552

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.50% Decreasing to 4.0%)	Current Trend Rate (6.50% Decreasing to 5.0%)	1% Increase in Trend Rate (7.50% Decreasing to 6.0%)
\$ 3,146,897	\$ 3,455,270	\$ 3,809,255

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended December 31, 2024, the City recognized OPEB expense of \$446,878. At December 31, 2024, the Distract reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	\$ 2,435,827	\$ -
Assumption changes	187,019	55,372
Subsequent contributions	156,132	-
	<u> </u>	<u> </u>
Total	<u><u>\$ 2,778,978</u></u>	<u><u>\$ 55,372</u></u>

The \$156,132 reported as deferred outflows of resources related to post employment benefits resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to post-employment benefits will be recognized in pension expense as follows:

Year Ending December 31,	OPEB Expense Amount
2025	\$ 388,791
2026	388,794
2027	391,291
2028	384,653
2029	381,342
Thereafter	<u>632,603</u>
Total	<u><u>\$ 2,567,474</u></u>

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 13 - JOINT VENTURES

A. Dakota 911

The City is a member of Dakota 911. Dakota 911 was created by a joint powers agreement between Dakota County and several cities. Its purposes include the establishment, operation, and maintenance of joint law enforcement, fire, EMS, and other emergency communications systems. Members are obligated to pay their proportional share of operating and capital expenditures on an annual basis. The City paid \$274,296 for 2024. Members do not maintain an equity interest other than if Dakota 911 were to terminate. Withdrawing members forfeit any interest in Dakota 911. Information regarding Dakota 911 can be obtained at the website www.dakota911mn.gov.

B. Local Government Information Systems Association (LOGIS)

The consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is a legally separate entity; the entities appoint a voting majority of its board, and the consortium is fiscally independent of the City. For 2024, the City paid \$417,257 for computer application support and computer hardware for the City's network. Complete financial statements of the consortium may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

NOTE 14 - CONTINGENCIES

The City has various claims and litigation that arise in the normal course of business. The City has evaluated the impact of these items for the December 31, 2024, financial statements and determined they do not have a material effect on financial position or changes in financial position.

NOTE 15 - COMMITTED CONTRACTS

At December 31, 2024, the City had commitments of \$1,347,780 for uncompleted construction contracts.

NOTE 16 - TAX INCREMENT FINANCING

The City has entered into Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute § 469*. The City entered into this agreement for the purpose of redevelopment.

Under these agreements, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2024, the City generated \$323,631 in tax increment revenue and made \$291,268 in payments to developers.

City of Mendota Heights
Notes to Basic Financial Statements

NOTE 17 - NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Summary of any GASB Statements if statement will impact client's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*. The disclosures required by this Statement will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. This Statement will be effective for the year ending December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making and provide for greater comparability amongst government entities. This Statement will be effective for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending December 31, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Mendota Heights
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
Total OPEB Liability				
Service cost	\$ 19,961	\$ 18,147	\$ 24,213	\$ 20,191
Interest	38,126	23,338	14,864	23,267
Differences between expected and actual experience	2,387,617	-	540,952	-
Changes of assumptions	176,395	(67,149)	12,919	26,487
Benefit payments	(198,102)	(182,694)	(143,921)	(122,081)
Net change in total OPEB liability	2,423,997	(208,358)	449,027	(52,136)
Beginning of year	1,031,273	1,239,631	790,604	842,740
Total OPEB Liability	<u>\$ 3,455,270</u>	<u>\$ 1,031,273</u>	<u>\$ 1,239,631</u>	<u>\$ 790,604</u>
Covered-employee payroll	\$ 4,167,235	\$ 3,600,817	\$ 3,495,939	\$ 3,469,012
Total OPEB liability as a percentage of covered-employee payroll	82.92%	28.64%	35.46%	22.79%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

December 31, 2020	December 31, 2019	December 31, 2018
\$ 17,009	\$ 22,733	\$ 24,002
31,249	30,230	31,883
22,848	-	-
30,297	(20,053)	-
(126,784)	(115,317)	(94,257)
(25,381)	(82,407)	(38,372)
868,121	950,528	988,900
\$ 842,740	\$ 868,121	\$ 950,528
\$ 3,359,818	\$ 3,460,084	\$ 3,359,305
25.08%	25.09%	28.30%

City of Mendota Heights
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0322%	\$ 1,668,771	\$ -	\$ 1,668,771	\$ 1,859,307	89.75%	78.19%
2016	0.0315%	2,557,644	33,392	2,591,036	1,954,600	130.85%	68.91%
2017	0.0290%	1,851,341	23,303	1,874,644	1,870,160	98.99%	75.90%
2018	0.0281%	1,558,873	51,096	1,609,969	1,887,853	82.57%	79.53%
2019	0.0291%	1,608,874	49,998	1,658,872	2,058,880	78.14%	80.23%
2020	0.0296%	1,774,655	54,701	1,829,356	2,113,013	83.99%	79.06%
2021	0.0319%	1,362,273	41,634	1,403,907	2,294,880	59.36%	87.00%
2022	0.0324%	2,566,091	75,343	2,641,434	2,430,307	105.59%	76.67%
2023	0.0316%	1,767,037	48,604	1,815,641	2,509,800	70.41%	83.10%
2024	0.0330%	1,221,526	31,586	1,253,112	2,796,493	43.68%	89.08%

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1530%	\$ 1,738,438	N/A	\$ 1,738,438	\$ 1,359,920	127.8%	86.61%
2016	0.1550%	6,220,420	N/A	6,220,420	1,496,272	415.7%	63.88%
2017	0.1500%	2,011,679	N/A	2,011,679	1,543,389	130.3%	85.43%
2018	0.1527%	1,613,882	N/A	1,613,882	1,609,556	100.3%	88.84%
2019	0.1643%	1,726,959	N/A	1,726,959	1,733,152	99.6%	89.26%
2020	0.1686%	2,207,154	\$ 52,363	2,259,517	1,902,465	116.0%	87.19%
2021	0.1575%	1,201,558	54,662	1,256,220	1,902,228	63.2%	93.66%
2022	0.1628%	7,084,413	309,465	7,393,878	1,977,853	358.2%	70.53%
2023	0.1568%	2,707,732	109,059	2,816,791	2,059,107	131.5%	86.47%
2024	0.1616%	2,125,799	81,035	2,206,834	2,237,503	95.0%	90.17%

See notes to required supplementary information.

**City of Mendota Heights
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 149,420	\$ 149,420	\$ -	\$ 1,992,267	7.50%
2016	139,806	139,806	-	1,864,080	7.50%
2017	137,806	137,806	-	1,837,413	7.50%
2018	146,272	146,272	-	1,950,293	7.50%
2019	157,416	157,416	-	2,098,880	7.50%
2020	166,196	166,196	-	2,215,947	7.50%
2021	178,657	178,657	-	2,382,093	7.50%
2022	186,921	186,921	-	2,492,280	7.50%
2023	193,712	193,712	-	2,582,827	7.50%
2024	226,381	226,381	-	3,018,413	7.50%

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 237,655	\$ 237,655	\$ -	\$ 1,467,006	16.20%
2016	245,917	245,917	-	1,518,006	16.20%
2017	251,584	251,584	-	1,552,988	16.20%
2018	266,168	266,168	-	1,643,012	16.20%
2019	311,718	311,718	-	1,839,044	16.95%
2020	344,654	344,654	-	1,947,198	17.70%
2021	349,826	349,826	-	1,976,418	17.70%
2022	350,782	350,782	-	1,981,819	17.70%
2023	382,877	382,877	-	2,163,147	17.70%
2024	394,207	394,207	-	2,227,158	17.70%

**City of Mendota Heights
Notes to Required Supplementary Information**

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% to 7.0%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for 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 equal to 2.5% minus the actual 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

**City of Mendota Heights
Notes to Required Supplementary Information**

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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% thereafter. 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 from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.

**City of Mendota Heights
Notes to Required Supplementary Information**

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The 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% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

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%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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 Mendota Heights
Notes to Required Supplementary Information**

General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Plan Provisions

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

**City of Mendota Heights
Notes to Required Supplementary Information**

Police and Fire Fund

2024 Changes

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).

**City of Mendota Heights
Notes to Required Supplementary Information**

Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Annual increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**City of Mendota Heights
Notes to Required Supplementary Information**

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed annual increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

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

**City of Mendota Heights
Notes to Required Supplementary Information**

OPEB

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 4.00% to 3.70%.

2023 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.00% to 2.50%.

2022 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate decreased from 2.90% in 2020 to 2.00% in 2021.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate decreased from 3.80% in 2019 to 2.90% in 2020.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate increased from 3.30% in 2018 to 3.80% in 2019.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate decreased from 4.00% in 2017 to 3.30% in 2018.

There are no assets accumulated in a trust.

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SUPPLEMENTARY INFORMATION

City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2024

	Special Revenue			
	Water Revenue	Special Park	Civil Defense	Street Lighting
Assets				
Cash and investments	\$ 1,260,625	\$ 225,079	\$ 149,649	\$ 74,843
Taxes receivable - delinquent	-	-	201	1,264
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	2,221	605	328	72
Due from other funds	-	-	-	-
Due from other governments	3,137	-	558	10
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,265,983</u>	<u>\$ 225,684</u>	<u>\$ 150,736</u>	<u>\$ 76,189</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ 9,952	\$ -	\$ 51,705
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>9,952</u>	<u>-</u>	<u>51,705</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	201	1,264
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>201</u>	<u>1,264</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	215,732	-	23,220
Committed	1,265,983	-	150,535	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,265,983</u>	<u>215,732</u>	<u>150,535</u>	<u>23,220</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,265,983</u>	<u>\$ 225,684</u>	<u>\$ 150,736</u>	<u>\$ 76,189</u>

Special Revenue				Debt Service	
Par 3 Golf Course	Police Forfeiture Fund	American Rescue Plan Act	Local Affordable Housing Aid	Par 3 G.O. Bonds	Equipment Certificates
\$ 158,394	\$ 30,282	\$ 862	\$ 44,605	\$ 127,839	\$ 47,033
-	-	-	-	275	17
-	-	-	-	-	-
124	-	-	-	-	-
215	54	-	31	233	85
-	-	-	-	-	-
-	-	-	-	198	-
7,811	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 166,544</u>	<u>\$ 30,336</u>	<u>\$ 862</u>	<u>\$ 44,636</u>	<u>\$ 128,545</u>	<u>\$ 47,135</u>
\$ 6,615	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
991	-	-	-	-	-
1,107	-	-	-	-	-
<u>8,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	275	17
-	-	-	-	-	-
-	-	-	-	275	17
7,811	-	-	-	-	-
-	30,336	862	44,636	128,270	47,118
150,020	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>157,831</u>	<u>30,336</u>	<u>862</u>	<u>44,636</u>	<u>128,270</u>	<u>47,118</u>
<u>\$ 166,544</u>	<u>\$ 30,336</u>	<u>\$ 862</u>	<u>\$ 44,636</u>	<u>\$ 128,545</u>	<u>\$ 47,135</u>

**City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2024**

	Debt Service	Capital Projects		
	Fire Station Bonds	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Assets				
Cash and investments	\$ 669,030	\$ 699,618	\$ -	\$ 383,028
Taxes receivable - delinquent	4,734	15	9	-
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	610	672	-	703
Due from other funds	-	-	-	-
Due from other governments	14,073	2	84,407	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
	<u>-\$ 688,447</u>	<u>\$ 700,307</u>	<u>\$ 84,416</u>	<u>\$ 383,731</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ 275	\$ -	\$ 1,000
Due to other funds	-	-	71,117	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>275</u>	<u>71,117</u>	<u>1,000</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	4,734	15	9	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>4,734</u>	<u>15</u>	<u>9</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	683,713	-	-	-
Committed	-	-	-	-
Assigned	-	700,017	13,290	382,731
Unassigned	-	-	-	-
Total fund balances	<u>683,713</u>	<u>700,017</u>	<u>13,290</u>	<u>382,731</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 688,447</u>	<u>\$ 700,307</u>	<u>\$ 84,416</u>	<u>\$ 383,731</u>

Capital Projects

Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non- Increment	Special Assessment Capital Project	TIF District No. 2	Fire Hall Remodel
\$ 89,632	\$ 39,300	\$ 202,788	\$ -	\$ 197,826	\$ 265
-	-	-	-	-	41
-	-	-	11,603	-	-
-	-	-	11,032	-	-
1,276	-	739	215	166	-
559,823	-	71,117	-	-	-
-	-	-	1,374	-	24
-	-	-	-	-	-
-	-	96,100	-	-	-
<u>\$ 650,731</u>	<u>\$ 39,300</u>	<u>\$ 370,744</u>	<u>\$ 24,224</u>	<u>\$ 197,992</u>	<u>\$ 330</u>
\$ -	\$ -	\$ -	\$ 67,011	\$ 119,980	\$ -
-	-	-	559,823	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>626,834</u>	<u>119,980</u>	<u>-</u>
-	-	-	-	-	41
-	-	-	11,603	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,603</u>	<u>-</u>	<u>41</u>
-	-	-	-	-	-
-	-	-	-	78,012	-
-	-	-	-	-	-
650,731	39,300	370,744	-	-	289
-	-	-	(614,213)	-	-
<u>650,731</u>	<u>39,300</u>	<u>370,744</u>	<u>(614,213)</u>	<u>78,012</u>	<u>289</u>
<u>\$ 650,731</u>	<u>\$ 39,300</u>	<u>\$ 370,744</u>	<u>\$ 24,224</u>	<u>\$ 197,992</u>	<u>\$ 330</u>

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City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2024

	<u>Capital Projects</u>	
	TIF District No. 3	Total Nonmajor Governmental Funds
Assets		
Cash and investments	\$ 29,993	\$ 4,430,691
Taxes receivable - delinquent	-	6,556
Special assessments receivable		
Deferred	-	11,603
Accounts receivable	-	11,156
Interest receivable	13	8,238
Due from other funds	-	630,940
Due from other governments	-	103,783
Prepaid items	-	7,811
Land held for resale	-	96,100
	<u> </u>	<u> </u>
Total assets	<u>\$ 30,006</u>	<u>\$ 5,306,878</u>
Liabilities		
Accounts and contracts payable	\$ 25,809	\$ 282,347
Due to other funds	-	630,940
Due to other governments	-	991
Salaries and benefits payable	-	1,107
Total liabilities	<u>25,809</u>	<u>915,385</u>
Deferred Inflows of Resources		
Unavailable revenue - property taxes	-	6,556
Unavailable revenue - special assessments	-	11,603
Total deferred inflows of resources	<u> </u>	<u>18,159</u>
Fund Balances		
Nonspendable	-	7,811
Restricted	4,197	1,256,096
Committed	-	1,566,538
Assigned	-	2,157,102
Unassigned	-	(614,213)
Total fund balances	<u>4,197</u>	<u>4,373,334</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,006</u>	<u>\$ 5,306,878</u>

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2024

	Special Revenue			
	Water Revenue	Special Park	Civil Defense	Street Lighting
Revenues				
Property taxes	\$ -	\$ -	\$ 25,073	\$ 81,285
Tax increments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	131,390	-	-	-
Fines and forfeitures	-	-	6	-
Miscellaneous				
Investment income	53,849	14,657	7,926	1,738
Other	-	21,400	-	-
Total revenues	<u>185,239</u>	<u>36,057</u>	<u>33,005</u>	<u>83,023</u>
Expenditures				
Current				
General government	-	-	18,353	21,562
Public safety	-	-	-	-
Public works	-	118,006	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	54,905	59,500
Public safety	-	-	-	-
Public works	-	254,099	-	-
Total expenditures	<u>-</u>	<u>372,105</u>	<u>73,258</u>	<u>81,062</u>
Excess of revenues over (under) expenditures	185,239	(336,048)	(40,253)	1,961
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(30,117)	(1,500)	-	-
Total other financing sources (uses)	<u>(30,117)</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	155,122	(337,548)	(40,253)	1,961
Fund Balances				
Beginning of year	<u>1,110,861</u>	<u>553,280</u>	<u>190,788</u>	<u>21,259</u>
End of year	<u>\$ 1,265,983</u>	<u>\$ 215,732</u>	<u>\$ 150,535</u>	<u>\$ 23,220</u>

Special Revenue				Debt Service		
Par 3 Golf Course	Police Forfeiture Fund	American Rescue Plan Act	Local Affordable Housing Aid	Par 3 G.O. Bonds	Equipment Certificates	Fire Station Bonds
\$ -	\$ -	\$ -	\$ -	\$ 264	\$ -	\$ 624,079
-	-	-	-	-	-	-
-	-	-	43,876	-	-	-
320,698	-	-	-	-	-	-
-	-	-	-	-	-	162
5,211	1,302	-	760	5,645	2,062	14,765
296	-	-	-	-	-	-
<u>326,205</u>	<u>1,302</u>	<u>-</u>	<u>44,636</u>	<u>5,909</u>	<u>2,062</u>	<u>639,006</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
292,601	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	405,000
-	-	-	-	-	-	181,225
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>292,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,225</u>
33,604	1,302	-	44,636	5,909	2,062	52,781
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
33,604	1,302	-	44,636	5,909	2,062	52,781
124,227	29,034	862	-	122,361	45,056	630,932
<u>\$ 157,831</u>	<u>\$ 30,336</u>	<u>\$ 862</u>	<u>\$ 44,636</u>	<u>\$ 128,270</u>	<u>\$ 47,118</u>	<u>\$ 683,713</u>

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2024

	Capital Projects			
	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve	Water Tower Capital Project
Revenues				
Property taxes	\$ 2	\$ 1	\$ -	\$ -
Tax increments	-	-	-	-
Intergovernmental	-	89,674	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	16,285	-	17,045	30,942
Other	-	-	-	-
Total revenues	<u>16,287</u>	<u>89,675</u>	<u>17,045</u>	<u>30,942</u>
Expenditures				
Current				
General government	-	-	9,000	-
Public safety	8,188	-	-	-
Public works	-	88,227	725	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	148,176	-	-	-
Public works	547,086	-	-	75,139
Total expenditures	<u>703,450</u>	<u>88,227</u>	<u>9,725</u>	<u>75,139</u>
Excess of revenues over (under) expenditures	(687,163)	1,448	7,320	(44,197)
Other Financing Sources (Uses)				
Transfers in	697,395	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>697,395</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	10,232	1,448	7,320	(44,197)
Fund Balances				
Beginning of year	<u>689,785</u>	<u>11,842</u>	<u>375,411</u>	<u>694,928</u>
End of year	<u>\$ 700,017</u>	<u>\$ 13,290</u>	<u>\$ 382,731</u>	<u>\$ 650,731</u>

Capital Projects				
Pilot Knob Improvement	Pre-1998 Non-Increment	Special Assessment Capital Project	TIF District No. 2	Fire Hall Remodel
\$ -	\$ -	\$ -	\$ -	\$ 24
-	-	-	266,449	-
83,550	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	17,914	5,213	4,017	-
-	46,199	-	-	-
83,550	64,113	5,213	270,466	24
59,550	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	241,959	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	318,935	-	-
59,550	-	318,935	241,959	-
24,000	64,113	(313,722)	28,507	24
-	-	83,127	-	-
-	(153,407)	-	-	-
-	(153,407)	83,127	-	-
24,000	(89,294)	(230,595)	28,507	24
15,300	460,038	(383,618)	49,505	265
\$ 39,300	\$ 370,744	\$ (614,213)	\$ 78,012	\$ 289

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City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2024

	<u>Capital Projects</u>	
	TIF District No. 3	Total Other Governmental Funds
Revenues		
Property taxes	\$ -	\$ 730,728
Tax increments	57,182	323,631
Intergovernmental	-	217,100
Charges for services	-	452,088
Fines and forfeitures	-	168
Miscellaneous		
Investment income	327	199,658
Other	-	67,895
Total revenues	<u>57,509</u>	<u>1,991,268</u>
Expenditures		
Current		
General government	-	108,465
Public safety	-	8,188
Public works	-	499,559
Economic development	53,588	295,547
Debt service		
Principal	-	405,000
Interest and other charges	-	181,225
Capital outlay		
General government	-	114,405
Public safety	-	148,176
Public works	-	1,195,259
Total expenditures	<u>53,588</u>	<u>2,955,824</u>
Excess of revenues over (under) expenditures	3,921	(964,556)
Other Financing Sources (Uses)		
Transfers in	-	780,522
Transfers out	-	(185,024)
Total other financing sources (uses)	<u>-</u>	<u>595,498</u>
Net change in fund balances	3,921	(369,058)
Fund Balances		
Beginning of year	<u>276</u>	<u>4,742,392</u>
End of year	<u>\$ 4,197</u>	<u>\$ 4,373,334</u>

City of Mendota Heights
Combining Statement of Net Position - Internal Service Funds
December 31, 2024

	Compensated Absences	City Hall Sinking Fund	Total
Assets			
Current assets			
Cash and investments (including cash equivalents)	\$ 821,035	\$ 101,687	\$ 922,722
Accounts receivable	-	8,485	8,485
Interest receivable	-	381	381
Prepaid expenses	-	9,683	9,683
Total current assets	<u>821,035</u>	<u>120,236</u>	<u>941,271</u>
Noncurrent assets			
Capital assets			
Land	-	25,000	25,000
Buildings	-	2,279,024	2,279,024
Improvements other than buildings	-	40,781	40,781
Machinery and equipment	-	66,969	66,969
Total capital assets	-	<u>2,411,774</u>	<u>2,411,774</u>
Less accumulated depreciation	-	<u>(1,919,308)</u>	<u>(1,919,308)</u>
Net capital assets	-	<u>492,466</u>	<u>492,466</u>
Total assets	<u>821,035</u>	<u>612,702</u>	<u>1,433,737</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	287	287
Deferred outflows of resources related to pensions	-	7,568	7,568
Total deferred outflows of resources	-	<u>7,855</u>	<u>7,855</u>
Total assets and deferred outflows of resources	<u>\$ 821,035</u>	<u>\$ 620,557</u>	<u>\$ 1,441,592</u>
Liabilities			
Current liabilities			
Salaries and benefits payable	-	4,431	4,431
Due to other governments	-	106	106
Noncurrent liabilities due within one year	<u>529,269</u>	<u>7,241</u>	<u>536,510</u>
Total current liabilities	<u>529,269</u>	<u>11,778</u>	<u>541,047</u>
Noncurrent liabilities			
Compensated absences	821,035	18,885	839,920
OPEB payable	-	11,369	11,369
Net pension liability	-	30,999	30,999
Less amount due within one year	<u>(529,269)</u>	<u>(7,241)</u>	<u>(536,510)</u>
Total noncurrent liabilities	<u>291,766</u>	<u>54,012</u>	<u>345,778</u>
Total liabilities	<u>821,035</u>	<u>65,790</u>	<u>886,825</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	-	1,000	1,000
Deferred inflows of resources related to pensions	-	20,972	20,972
Total deferred inflows of resources	-	<u>21,972</u>	<u>21,972</u>
Net Position			
Investment in capital assets	-	492,466	492,466
Unrestricted	-	40,329	40,329
Total net position	-	<u>532,795</u>	<u>532,795</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 821,035</u>	<u>\$ 620,557</u>	<u>\$ 1,441,592</u>

City of Mendota Heights
Combining Statement of Revenues, Expenses, and Changes
in Net Position - Internal Service Funds
Year Ended December 31, 2024

	City Hall Sinking Fund	Total
Operating Revenues		
Charges for services	\$ 260,000	\$ 260,000
Operating Expenses		
Wages and salaries	78,913	78,913
Employee benefits	38,651	38,651
Materials and supplies	13,181	13,181
Professional services	5,280	5,280
Insurance	7,097	7,097
Utilities	33,798	33,798
Depreciation	35,778	35,778
Miscellaneous	63,267	63,267
Total operating expenses	<u>275,965</u>	<u>275,965</u>
Operating loss	(15,965)	(15,965)
Nonoperating Revenues		
Investment income	<u>9,229</u>	<u>9,229</u>
Change in net position	(6,736)	(6,736)
Net Position		
Beginning of year	<u>539,531</u>	<u>539,531</u>
End of year	<u>\$ 532,795</u>	<u>\$ 532,795</u>

City of Mendota Heights
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2024

	Compensated Absences	City Hall Sinking Fund	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ -	\$ 260,000	\$ 260,000
Payments to suppliers	-	(138,872)	(138,872)
Payments to employees	89,688	(119,149)	(29,461)
Net cash flows - operating activities	<u>89,688</u>	<u>1,979</u>	<u>91,667</u>
Cash Flows - Investing Activities			
Interest and dividends received	-	9,072	9,072
Net change in cash and cash equivalents	89,688	11,051	100,739
Cash and Cash Equivalents			
Beginning of year	<u>731,347</u>	<u>90,636</u>	<u>821,983</u>
End of year	<u>\$ 821,035</u>	<u>\$ 101,687</u>	<u>\$ 922,722</u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities			
Operating loss	\$ -	\$ (15,965)	\$ (15,965)
Operating activities			
Depreciation expense	-	35,778	35,778
Prepaid items	-	(67)	(67)
Accounts payable	-	(16,173)	(16,173)
Due to other governmental units	-	(9)	(9)
Salaries payable	-	650	650
OPEB payable	-	6,257	6,257
Pension related items	-	(9,966)	(9,966)
Compensated absences payable	89,688	1,474	91,162
Total adjustments	<u>89,688</u>	<u>17,944</u>	<u>107,632</u>
Net cash flows - operating activities	<u>\$ 89,688</u>	<u>\$ 1,979</u>	<u>\$ 91,667</u>

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2024

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final budget - over (under)
Revenues			
Property taxes	\$ 10,356,289	\$ 10,402,220	\$ 45,931
Franchis fees	350,000	382,044	32,044
Licenses and permits	410,000	769,288	359,288
Intergovernmental revenue			
State grants and aids			
Fire aid	126,000	151,179	25,179
Police aid	190,000	239,625	49,625
Other grants and aids	312,914	495,244	182,330
Total intergovernmental revenue	<u>628,914</u>	<u>886,048</u>	<u>257,134</u>
Charges for services	719,918	698,812	(21,106)
Fines and forfeitures	72,000	66,961	(5,039)
Miscellaneous revenues			
Investment income	20,000	485,740	465,740
Other	105,000	321,158	216,158
Total miscellaneous revenues	<u>125,000</u>	<u>806,898</u>	<u>681,898</u>
Total revenues	<u>12,662,121</u>	<u>14,012,271</u>	<u>1,350,150</u>
Expenditures			
General government			
Mayor and council			
Salaries and benefits	24,416	24,595	179
Contracted services	34,550	24,273	(10,277)
Administration and finance			
Salaries and benefits	1,050,169	1,069,357	19,188
Materials and supplies	17,000	14,308	(2,692)
Contracted services	431,700	466,544	34,844

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2024
(Continued)

	Budgeted Amounts <u>Original And final</u>	Actual Amounts <u> </u>	Variance with Final budget - <u>Over (under)</u>
Expenditures (Continued)			
General government (continued)			
Elections			
Salaries and benefits	\$ 101,070	\$ 104,800	\$ 3,730
Materials and supplies	22,900	13,886	(9,014)
Contracted services	9,450	10,230	780
Information technology			
Materials and supplies	160,366	84,872	(75,494)
Contracted services	166,959	239,586	72,627
Planning and zoning			
Salaries and benefits	157,988	150,145	(7,843)
Materials and supplies	4,000	838	(3,162)
Contracted services	38,850	46,573	7,723
Recycling			
Materials and supplies	1,000	-	(1,000)
Contracted services	46,600	6,442	(40,158)
Miscellaneous			
Contracted services	-	18,661	18,661
Total general government	<u>2,267,018</u>	<u>2,275,110</u>	<u>8,092</u>
Public safety			
Police protection			
Salaries and benefits	3,953,420	3,787,468	(165,952)
Materials and supplies	245,000	362,882	117,882
Contracted services	697,933	665,062	(32,871)
Debt Service	133,000	133,600	600
Capital outlay	-	399,283	399,283
Fire protection			
Salaries and benefits	397,589	406,292	8,703
Materials and supplies	195,417	188,720	(6,697)
Contracted services	722,200	686,785	(35,415)
Total public safety	<u>6,344,559</u>	<u>6,630,092</u>	<u>285,533</u>

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual -
General Fund
Year Ended December 31, 2024
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
Public works			
Code enforcement			
Materials and supplies	\$ 3,250	\$ 4,459	\$ 1,209
Contracted services	331,875	543,000	211,125
Street maintenance			
Salaries and benefits	1,353,366	1,261,946	(91,420)
Materials and supplies	179,050	147,123	(31,927)
Contracted services	496,665	376,193	(120,472)
Parks			
Salaries and benefits	987,538	997,612	10,074
Materials and supplies	230,600	215,827	(14,773)
Contracted services	515,750	397,930	(117,820)
Capital outlay	-	77,770	77,770
Total public works	<u>4,098,094</u>	<u>4,021,860</u>	<u>(76,234)</u>
Total expenditures	<u>12,709,671</u>	<u>12,927,062</u>	<u>217,391</u>
Excess of revenues over (under) expenditures	(47,550)	1,085,209	1,132,759
Other Financing Sources (Uses)			
Issuance of leases and subscription liabilities	-	300,919	300,919
Insurance recoveries	-	97,985	97,985
Transfer in	47,550	47,550	-
Transfer out	-	(543,988)	(543,988)
Total other financing sources (uses)	<u>47,550</u>	<u>(97,534)</u>	<u>(145,084)</u>
Net change in fund balance	<u>\$ -</u>	987,675	<u>\$ 987,675</u>
Fund Balance			
Beginning of year		<u>12,482,362</u>	
End of year		<u>\$ 13,470,037</u>	

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**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***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2024, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 4, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response on Internal Control that we consider to be a material weakness as audit finding 2024-001.

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*.

City's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 4, 2025



Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 4, 2025.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
June 4, 2025

**City of Mendota Heights
Schedule of Findings and Response on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Material Weakness:

Audit Finding 2024-001 - Lack of Segregation of Accounting Duties

The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to receipt City service revenue, prepares the deposit receipts, is responsible for coding, and prepares the Treasurer's report for the City Council.
- The Utility Billing Clerk enters consumption into the utility billing system, prepares and reviews utility bills, applies payments to customer accounts, and has the ability to make adjustments to customer accounts.
- The Finance Director performs year-end reconciliations and closing entries without review.

In addition to having responsibilities in the cycles listed above, the City's Finance Director has full general ledger access and the ability to write and post In addition to having responsibilities in the cycles listed above, the City's Finance Director has full general ledger access and the ability to write and post journal entries. While we believe this access is necessary to efficiently perform the financial duties required, this access allows the ability to override many of the controls and segregation the City has in place.

The City has implemented certain controls to mitigate the risk due to the lack of segregation of accounting duties, including but not limited to reviewing adjustments to customer accounts before they are posted, having a non-finance employee prepare bank reconciliations and review of all journal entries. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. We recommend that the City review the internal control process over the year-end closing process to ensure segregation or independent review be implemented whenever practical and cost effective.

City's Response:

The City is aware of the lack of segregation of duties. There are processes in place to have multiple staff perform duties as to ensure one person is not responsible for all parts of any process. The addition of staff to further segregate duties is not cost effective.