

CITY OF MORRISTOWN
MORRISTOWN, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

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SECTION I

INTRODUCTORY SECTION

CITY OF MORRISTOWN
MORRISTOWN, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2024

MAYOR	Tony Lindahl
COUNCIL MEMBER	Joe Caldwell
COUNCIL MEMBER	Linda Murphy
COUNCIL MEMBER	Jake Golombeski
COUNCIL MEMBER	Leon Gregor
CITY ADMINISTRATOR	Ellen Judd
CITY CLERK/TREASURER	Cassie Eldeen
CITY ATTORNEY	Mark J. Rahrnick

2025

MAYOR	Tim Flaten
COUNCIL MEMBER	Joe Caldwell
COUNCIL MEMBER	Anna Nusbaum
COUNCIL MEMBER	Val Kruger
COUNCIL MEMBER	Leon Gregor
CITY ADMINISTRATOR	Ellen Judd
CITY CLERK/TREASURER	Cassie Eldeen
CITY ATTORNEY	Mark J. Rahrnick

SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the City of Morristown, Minnesota, which comprise the statement of cash and unencumbered cash balances as of December 31, 2024, and the related statement of receipts received and disbursements paid and, where applicable, cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of City of Morristown, Minnesota as of December 31, 2024, and the receipts it received and disbursements it paid and, where applicable, cash flows for the year then ended, in accordance with the financial reporting provisions of the Office of the State Auditor, State of Minnesota described in Note 1.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared by the City of Morristown, Minnesota, in accordance with financial reporting provisions of the Office of the State Auditor, State of Minnesota, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Office of the State Auditor, State of Minnesota. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Office of the State Auditor, State of Minnesota as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

The regulatory basis of accounting require that the budgetary comparison information on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 City of Morristown, Minnesota's basic financial statements. The nonmajor governmental funds combining statement of balances arising from cash transactions and combining statement of cash receipts, disbursements and changes in cash fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the nonmajor governmental funds combining statement of balances arising from cash transactions and combining statement of cash receipts, disbursements and changes in cash fund balances are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

March 13, 2025

CITY OF MORRISTOWN, MINNESOTA

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

	<u>General Fund</u>	<u>Fire Department</u>	<u>2022 Street Capital Project Debt</u>	<u>2024 Street Capital Project</u>
ASSETS				
Cash and Cash Investments	\$ <u>1,074,534</u>	\$ <u>59,087</u>	\$ <u>630,831</u>	\$ <u>854,946</u>
Total Assets	\$ <u><u>1,074,534</u></u>	\$ <u><u>59,087</u></u>	\$ <u><u>630,831</u></u>	\$ <u><u>854,946</u></u>
LIABILITIES				
Due to Other Funds.	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
CASH FUND BALANCES				
Restricted	-	-	630,831	854,946
Committed	-	-	-	-
Assigned	-	59,087	-	-
Unassigned	<u>1,074,534</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Fund Balances	<u><u>1,074,534</u></u>	<u><u>59,087</u></u>	<u><u>630,831</u></u>	<u><u>854,946</u></u>
Total Liabilities and Cash Fund Balances	\$ <u><u>1,074,534</u></u>	\$ <u><u>59,087</u></u>	\$ <u><u>630,831</u></u>	\$ <u><u>854,946</u></u>

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

CITY OF MORRISTOWN, MINNESOTA

Fire Dept Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 645,154</u>	<u>\$ 720,438</u>	<u>\$ 3,984,990</u>
<u><u>\$ 645,154</u></u>	<u><u>\$ 720,438</u></u>	<u><u>\$ 3,984,990</u></u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	423,242	1,909,019
-	57,753	57,753
645,154	239,443	943,684
<u>-</u>	<u>-</u>	<u>1,074,534</u>
<u>645,154</u>	<u>720,438</u>	<u>3,984,990</u>
<u><u>\$ 645,154</u></u>	<u><u>\$ 720,438</u></u>	<u><u>\$ 3,984,990</u></u>

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

CITY OF MORRISTOWN, MINNESOTA

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

	General Fund	Fire Department	2022 Street Capital Project Debt	2024 Street Capital Project
RECEIPTS				
Taxes	\$ 392,110	\$ 37,627	\$ 219,885	\$ -
Licenses and Permits	15,756	-	-	-
Intergovernmental Revenue	363,041	41,564	-	1,500,000
Charges for Services	13,086	78,423	-	-
Fines and Forfeits	2,397	-	-	-
Interest Income	27,022	7,969	10,117	13,562
Miscellaneous	23,939	215,770	-	398,058
Total Receipts	<u>837,351</u>	<u>381,353</u>	<u>230,002</u>	<u>1,911,620</u>
DISBURSEMENTS				
Current Operations:				
General Government	160,520	-	-	-
Public Safety	131,055	171,608	-	-
Public Works	153,563	-	-	-
Culture and Recreation	71,283	-	-	-
Sanitation	697	-	-	-
Economic Development	-	-	-	-
Miscellaneous	5,198	-	500	-
Debt Service:				
Principal Payments	-	-	75,000	-
Interest Payments	-	-	76,025	-
Capital Outlay				<u>2,498,050</u>
Total Disbursements	<u>522,316</u>	<u>171,608</u>	<u>151,525</u>	<u>2,498,050</u>
EXCESS RECEIPTS OVER(UNDER)				
DISBURSEMENTS	<u>315,035</u>	<u>209,745</u>	<u>78,477</u>	<u>(586,430)</u>
OTHER FINANCING SOURCES (USES):				
Transfer In	-	-	287,702	-
Issuance of Debt	-	-	-	1,590,000
Transfer Out	(15,826)	(728,719)	-	-
Bond Issuance Costs	-	-	-	(42,539)
Total Other Financing Sources (Uses)	<u>(15,826)</u>	<u>(728,719)</u>	<u>287,702</u>	<u>1,547,461</u>
NET CHANGE IN CASH FUND BALANCES	299,209	(518,974)	366,179	961,031
CASH FUND BALANCES - January 1 As				
Previously Presented	775,325	578,061	264,652	-
Change Within Financial Reporting Entity - (major to nonmajor)/nonmajor to major	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,085)</u>
CASH FUND BALANCES - January 1 As Restated	<u>775,325</u>	<u>578,061</u>	<u>264,652</u>	<u>(106,085)</u>
CASH FUND BALANCES - December 31	<u>\$ 1,074,534</u>	<u>\$ 59,087</u>	<u>\$ 630,831</u>	<u>\$ 854,946</u>

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

CITY OF MORRISTOWN, MINNESOTA

2022 Street Capital Project	Fire Dept Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 20,736	\$ 416,692	\$ 1,087,050
-	-	-	15,756
-	-	17,600	1,922,205
-	-	-	91,509
-	-	-	2,397
-	24,971	29,181	112,822
-	-	11,000	648,767
<u>-</u>	<u>45,707</u>	<u>474,473</u>	<u>3,880,506</u>
-	-	-	160,520
-	139,272	-	441,935
-	-	-	153,563
-	-	22,735	94,018
-	-	-	697
-	-	600	600
-	-	500	6,198
-	-	85,000	160,000
-	-	20,259	96,284
-	-	44,903	2,542,953
<u>-</u>	<u>139,272</u>	<u>173,997</u>	<u>3,656,768</u>
-	(93,565)	300,476	223,738
-	738,719	-	1,026,421
-	-	-	1,590,000
-	-	(273,038)	(1,017,583)
-	-	-	(42,539)
-	738,719	(273,038)	1,556,299
-	645,154	27,438	1,780,037
284,792	-	302,123	2,204,953
<u>(284,792)</u>	<u>-</u>	<u>390,877</u>	<u>-</u>
-	-	693,000	2,204,953
<u>\$ -</u>	<u>\$ 645,154</u>	<u>\$ 720,438</u>	<u>\$ 3,984,990</u>

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

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

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Refuse</u>	
ASSETS				
Cash and Cash Investments	\$ <u>630,908</u>	\$ <u>325,703</u>	\$ <u>58,619</u>	\$ <u>1,015,230</u>
Total Assets	\$ <u><u>630,908</u></u>	\$ <u><u>325,703</u></u>	\$ <u><u>58,619</u></u>	\$ <u><u>1,015,230</u></u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
NET CASH POSITION				
Unrestricted	<u>630,908</u>	<u>325,703</u>	<u>58,619</u>	<u>1,015,230</u>
Total Net Cash Position	<u><u>630,908</u></u>	<u><u>325,703</u></u>	<u><u>58,619</u></u>	<u><u>1,015,230</u></u>
Total Liabilities and Net Cash Position	\$ <u><u>630,908</u></u>	\$ <u><u>325,703</u></u>	\$ <u><u>58,619</u></u>	\$ <u><u>1,015,230</u></u>

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

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

	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Refuse</u>	<u>Totals</u>
OPERATING RECEIPTS				
Charges for Services	\$ <u>122,814</u>	\$ <u>317,659</u>	\$ <u>94,796</u>	\$ <u>535,269</u>
Total Operating Receipts	<u>122,814</u>	<u>317,659</u>	<u>94,796</u>	<u>535,269</u>
OPERATING DISBURSEMENTS				
Personnel Services	39,566	90,664	-	130,230
Contracted Services	-	-	64,916	64,916
Insurance	2,832	4,046	-	6,878
Professional Services	14,024	46,812	3,521	64,357
Supplies	22,075	51,437	1,387	74,899
Utilities	9,300	17,004	-	26,304
Other Services and Charges	<u>4,968</u>	<u>9,000</u>	<u>8,086</u>	<u>22,054</u>
Total Operating Disbursements	<u>92,765</u>	<u>218,963</u>	<u>77,910</u>	<u>389,638</u>
NET OPERATING INCOME	<u>30,049</u>	<u>98,696</u>	<u>16,886</u>	<u>145,631</u>
NON OPERATING RECEIPTS (DISBURSEMENTS)				
Interest Income	25,000	11,392	1,948	38,340
Access Charges	<u>17,016</u>	<u>3,253</u>	<u>12,019</u>	<u>32,288</u>
Total Non Operating Receipts (Disbursements)	<u>42,016</u>	<u>14,645</u>	<u>13,967</u>	<u>70,628</u>
INCOME BEFORE TRANSFERS	72,065	113,341	30,853	216,259
Transfer Out	<u>(8,838)</u>	<u>-</u>	<u>-</u>	<u>(8,838)</u>
CHANGE IN NET CASH POSITION	63,227	113,341	30,853	207,421
NET CASH POSITION - January 1	<u>567,681</u>	<u>212,362</u>	<u>27,766</u>	<u>807,809</u>
NET CASH POSITION - December 31	\$ <u>630,908</u>	\$ <u>325,703</u>	\$ <u>58,619</u>	\$ <u>1,015,230</u>

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

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

	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Refuse</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 122,814	\$ 317,659	\$ 94,796	\$ 535,269
Payments to Vendors	(53,199)	(128,299)	(77,910)	(259,408)
Payments to Employees	<u>(39,566)</u>	<u>(90,664)</u>	<u>-</u>	<u>(130,230)</u>
Net Cash Provided By Operating Activities	<u>30,049</u>	<u>98,696</u>	<u>16,886</u>	<u>145,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to Other Funds	<u>(8,838)</u>	<u>-</u>	<u>-</u>	<u>(8,838)</u>
Net Cash Used By Noncapital Financing Activities	<u>(8,838)</u>	<u>-</u>	<u>-</u>	<u>(8,838)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Access Charges	<u>17,016</u>	<u>3,253</u>	<u>12,019</u>	<u>32,288</u>
Net Cash Provided By Capital and Related Financing Activities	<u>17,016</u>	<u>3,253</u>	<u>12,019</u>	<u>32,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>25,000</u>	<u>11,392</u>	<u>1,948</u>	<u>38,340</u>
Net Cash Provided By Investing Activities	<u>25,000</u>	<u>11,392</u>	<u>1,948</u>	<u>38,340</u>
NET INCREASE IN CASH	63,227	113,341	30,853	207,421
BALANCE - January 1	<u>567,681</u>	<u>212,362</u>	<u>27,766</u>	<u>807,809</u>
BALANCE - December 31	<u>\$ 630,908</u>	<u>\$ 325,703</u>	<u>\$ 58,619</u>	<u>\$ 1,015,230</u>

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

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The City of Morristown, Minnesota operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City.

A. Financial Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has one blended component unit which has a December 31 year end.

Blended Component Unit. The Economic Development Authority (EDA) is responsible for economic and industrial development and redevelopment within the City's jurisdiction. The members of the EDA's governing Board are appointed and approved by the Council. Annually, the City's General Fund makes a transfer to cover all debt payments for the EDA. Due to this relationship between the City and EDA, in accordance with GASB Statement No. 14 and 61, the EDA is presented as a blended component unit as a governmental fund. There is no separate report prepared for the component unit.

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

The accompanying financial statements have been prepared using the regulatory basis of accounting as described in the *Minnesota Office of the State Auditors' Reporting and Publishing Requirements for Cities under 2,500 in Population* published on September 21, 2004. Minnesota Statutes permit cities with populations under 2,500 to report on the regulatory basis of accounting although the modified accrual basis is recommended. Under the regulatory basis, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from U.S. generally accepted accounting principles primarily because the City has not reported a management discussion and analysis, government-wide statement of net position and government-wide statement of activities, and the City does not recognize revenues and expenditures in accordance with the modified accrual (governmental) or accrual (proprietary) basis of accounting.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected.

The City has the following fund types:

Governmental Fund Types

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their receipts is recognized when received in cash and disbursements are recognized when paid in cash. The regulatory basis of accounting is a comprehensive basis of accounting other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities 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 is due.

The City reports the following types of governmental funds:

General Fund - The General Fund is used to account for all financial transactions not properly includible in other funds. It is the primary operating fund of the City.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of the specific revenue source that are either legally restricted to expenditure for specific purpose or designated to finance particular functions or activities of the City.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of principal and interest of general long-term debt.

Capital Project Funds - The Capital Project Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds or trust funds.

The City reports the following major governmental funds:

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

Fire Department - This fund is used to account for resources and disbursements related to the City's Fire Department.

2022 Street Capital Project Debt - This fund is used for the resources and payments related to the 2022 Street Project of the City.

2024 Street Capital Project - This fund is used for the resources and payments related to the 2024 Street Capital Project of the City.

Fire Department Capital Reserve Fund - This fund is used for the resources and payments related to the Fire Department Capital Reserves of the City.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Proprietary Fund Types

Proprietary funds include the City's Enterprise Funds. The Enterprise Funds are used to account for operations which provide goods or services to the general public in a manner similar to private enterprise. The intent is to recover the cost of providing goods and services through user charges.

Proprietary funds are accounted for using the regulatory basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

The City reports the following major proprietary funds:

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

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

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

Interfund Transactions

Interfund transactions are loans, services provided, reimbursements or transfers. Loans are reported as receivable and payables as appropriate. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers.

C. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for the disbursements of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City.

D. 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.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Deposits and Investments (Cont.)

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

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

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota, or any of its municipalities.
4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States bank corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories

Investments for the City are reported at fair value.

The City has not adopted a formal investment policy as of December 31, 2024.

E. Property Taxes

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

F. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. Special assessments are recognized as revenue when they are paid.

G. Capital Assets

The City's regulatory basis of accounting reports capital assets resulting from cash transactions as capital outlay disbursements in its governmental and proprietary funds.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Long-Term Debt

Long-term debt arising from cash transactions is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and repayments of principal and interest are reported as disbursements.

I. Fund Balance

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

J. Net Position

Net position represent the difference between assets and deferred outflows, and liabilities and deferred inflows. Net positions are displayed in two components:

1. Restricted - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
2. Unrestricted - All other net position that do not meet the definition of "restricted."

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Previous year and current year data is reviewed by the City Administrator to determine the next year's budget.
2. The proposed budget is submitted by September to the Mayor and City Council for their review or modification.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

A. Budgetary Information (Cont.)

3. Once the budget modifications have been made, the City Council adopts the budget by resolution no later than December of each year. The budget is set forth at the function level for the general fund.
4. Formal budget integration is not employed for Debt Service Funds. Debt Service Funds budgetary control is alternatively achieved through bond indenture provisions.
5. Budgets for the general fund are adopted on a basis consistent with the regulatory basis of accounting.
6. Budget appropriations lapse at the end of the City's fiscal year.

B. Expenditures Over Appropriations

By its nature, a local government unit, the City is subject to various federal, state and local laws and contracted regulations. The following sub-function of the general fund had expenditures in excess of appropriations for the year ended December 31, 2024.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Miscellaneous	\$ 5,001	\$ 5,198	\$ (197)

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

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

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

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

At year end, the City's carrying amount of deposits was \$2,504,401 and the bank balance was \$2,450,156, including certificates of deposit of \$1,944,134. Of the bank balance \$2,110,480 was covered by federal depository insurance. Of the remaining balance, \$393,921 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

B. Investments

As of December 31, 2024, the City had the following pooled investments that are insured or registered, or securities held by the City or its agent in the City's name.

<u>Type of Investment</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Edward Jones	\$ 1,930,197	\$ 37,879	\$ 1,892,318	\$ -
4M Fund	<u>565,622</u>	<u>-</u>	<u>565,622</u>	<u>-</u>
Total	<u>\$ 2,495,819</u>	<u>\$ 37,879</u>	<u>\$ 2,457,940</u>	<u>\$ -</u>

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related assets. Level 3 inputs are unobservable inputs related to the asset.

C. Cash and Investments Summary

A reconciliation of cash and investments as shown on the statements for the City follows:

Cash and Cash Investments	
Governmental Funds	\$ 3,984,990
Enterprise Funds	<u>1,015,230</u>
Total Cash and Cash Investments	<u>\$ 5,000,220</u>

4. PROPERTY TAXES

Property tax is levied each December on the tax capacity listed as of the prior January 1 for all real property located in the City. Property taxes are due in two payments, May 15 and October 15 of each year. Rice County is the collection agent for the levy and remits the collections to the City three times a year. Property tax revenue includes amounts collected by the County during the year and remitted to the City. Portions of the tax levy paid by the state in the form of Local Government Aids and Credits are included in intergovernmental revenue. Only that portion collected directly from property owners is reflected in tax revenue.

5. VACATION PAY/SICK LEAVE

Any contingent liability for unused vacation pay is immaterial and not recognized in the financial statements.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS

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

	Transfers to <u>Other Funds</u>	Transfers from <u>Other Funds</u>
General	\$ 15,826	\$ -
Fire Department	728,720	-
Fire Department Capital Reserve Fund	-	738,719
2022 Street Capital Project Debt	-	287,703
2022 Street Capital Project	273,038	-
Water Fund	8,838	-
	<u>\$ 1,026,422</u>	<u>\$ 1,026,422</u>

- The Water Fund transferred \$8,838 and the General Fund transferred \$15,826 to the 2022 Street Capital Project Debt Fund for the repayment of the water portion of debt.
- The General Fund transferred \$10,000 and the Fire Department Fund transferred \$728,719 to the Fire Department Capital Reserve Fund for future capital outlay purchases.
- The 2022 Street Capital Project transferred \$273,038 to the 2022 Street Capital Project Debt to close out the fund and use remaining funds for debt service.

7. FUND BALANCE

A. Classifications

	General <u>Fund</u>	Fire <u>Department</u>	2022 Street Capital Project <u>Debt</u>	2024 Street Capital Project <u>Project</u>	Fire Dept Capital Reserve <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Restricted for:							
Debt Service	\$ -	\$ -	\$ 630,831	\$ -	\$ -	\$ 422,759	\$ 1,053,590
Capital Project	-	-	-	854,946	-	483	855,429
Total Restricted	<u>-</u>	<u>-</u>	<u>630,831</u>	<u>854,946</u>	<u>-</u>	<u>423,242</u>	<u>1,909,019</u>
Committed to:							
Capital Equipment	-	-	-	-	-	689	689
Economic	-	-	-	-	-	30,370	30,370
Development	-	-	-	-	-	30,370	30,370
Capital	-	-	-	-	-	26,694	26,694
Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,694</u>	<u>26,694</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,753</u>	<u>57,753</u>
Assigned to:							
Fire Department	-	59,087	-	-	-	-	59,087
Capital	-	-	-	-	-	222,301	222,301
Improvements	-	-	-	-	-	17,142	662,296
Capital Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,154</u>	<u>239,443</u>	<u>943,684</u>
Total Assigned	<u>-</u>	<u>59,087</u>	<u>-</u>	<u>-</u>	<u>645,154</u>	<u>239,443</u>	<u>943,684</u>
Unassigned	<u>1,074,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074,534</u>
Total	<u>\$ 1,074,534</u>	<u>\$ 59,087</u>	<u>\$ 630,831</u>	<u>\$ 854,946</u>	<u>\$ 645,154</u>	<u>\$ 720,438</u>	<u>\$ 3,984,990</u>

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. FUND BALANCE (Cont.)

B. Minimum Unassigned Fund Balance Policy

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

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the amount of not less than 50%, but a targeted goal of 75% of the subsequent year's budgeted expenditures. At December 31, 2024, the unassigned fund balance of the General Fund was 134.3% of the subsequent year's budgeted expenditures.

8. CHANGES IN LONG-TERM DEBT

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

	<u>Balance</u> <u>January 1</u>	<u>Debt Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
<u>Governmental Funds</u>					
G.O. Bonds	\$ <u>3,145,000</u>	\$ <u>1,590,000</u>	\$ <u>160,000</u>	\$ <u>4,575,000</u>	\$ <u>160,000</u>
Totals	\$ <u>3,145,000</u>	\$ <u>1,590,000</u>	\$ <u>160,000</u>	\$ <u>4,575,000</u>	\$ <u>160,000</u>

General Obligation Bonds issued by the governmental funds are repaid by the related debt service funds.

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

Governmental Funds

\$1,170,000 G.O. Crossover Refunding Bonds of 2020A, due in annual installments of \$85,000 to \$100,000 through March 1, 2035, plus interest at 1.05-2.45% due in semi-annual installments.

\$ 995,000

\$2,065,000 G.O. Improvement Bonds of 2022A, due in annual installments of \$75,000 to \$145,000 through March 1, 2043, plus interest at 2.6-4.0% due in semi-annual installments.

1,990,000

\$1,590,000 General Obligation Improvement Bonds of 2024A, due in annual installments of \$50,000 to \$120,000 through March 1, 2045, plus interest at 4.25-4.9%.

1,590,000

Total Long-Term Debt

\$ 4,575,000

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

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

	G.O. Improvement Bonds		
	<u>Governmental Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 160,000	\$ 177,931	\$ 337,931
2026	210,000	161,916	371,916
2027	220,000	156,193	376,193
2028	220,000	150,137	370,137
2029	230,000	143,688	373,688
2030-2034	1,270,000	596,438	1,866,438
2035-2039	1,085,000	382,244	1,467,244
2040-2044	1,060,000	139,327	1,199,327
2045-2049	<u>120,000</u>	<u>2,940</u>	<u>122,940</u>
Total	<u>\$4,575,000</u>	<u>\$1,910,814</u>	<u>\$6,485,814</u>

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Morristown, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards, officers, or joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefit are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years to 100 percent after 10 years. The defined benefit retirement plan benefits are based on a members' highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Cont.)

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 55 for Police and Fire and Correctional plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rates for a Coordinated Plan Member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correction plans. That report may be obtained on the PERA's website at www.mnpera.org/about/financial/.

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City of Morristown, Minnesota makes annual contributions to the pension plans equal to the amount required by the state statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2024. In 2024, the City of Morristown, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.50% for Coordinated Plan members.

The City of Morristown, Minnesota's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022 were \$19,688, \$21,486 and \$16,895, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

10. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

All members of the Morristown Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the Morristown Firefighters' Relief Association (the Association). The Plan is a single employer retirement plan that is established and administered in accordance with Minnesota Statute, chapter 69.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of the Minnesota Statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Morristown Firefighters' Relief Association, Morristown, Minnesota.

11. OTHER POST EMPLOYMENT BENEFITS

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

12. RELATED PARTY TRANSACTIONS

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

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

CITY OF MORRISTOWN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

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

B. Claims and Judgments

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

14. SUBSEQUENT EVENTS

Management evaluated all activity of City of Morristown through March 13, 2025 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SECTION III

REQUIRED SUPPLEMENTAL SECTION

CITY OF MORRISTOWN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance - January 1	<u>\$ 775,325</u>	<u>\$ 775,325</u>	<u>\$ 775,325</u>	<u>\$ -</u>
RECEIPTS:				
TAXES:				
General Property Taxes	372,481	372,481	379,083	6,602
Special Assessments	16,000	16,000	9,579	(6,421)
Franchise Tax	<u>3,000</u>	<u>3,000</u>	<u>3,448</u>	<u>448</u>
Total Taxes	<u>391,481</u>	<u>391,481</u>	<u>392,110</u>	<u>629</u>
 LICENSES AND PERMITS	 <u>10,650</u>	 <u>10,650</u>	 <u>15,756</u>	 <u>5,106</u>
 INTERGOVERNMENTAL REVENUE:				
Local Government Aid	361,453	361,453	361,453	-
Market Value Credit	<u>750</u>	<u>750</u>	<u>1,588</u>	<u>838</u>
Total Intergovernmental Revenue	<u>362,203</u>	<u>362,203</u>	<u>363,041</u>	<u>838</u>
 CHARGES FOR SERVICES:				
General Government	1,809	1,809	1,265	(544)
Culture and Recreation	100	100	120	20
Rents	<u>4,250</u>	<u>4,250</u>	<u>11,701</u>	<u>7,451</u>
Total Charges for Services	<u>6,159</u>	<u>6,159</u>	<u>13,086</u>	<u>6,927</u>
 FINES AND FORFEITS	 <u>1,000</u>	 <u>1,000</u>	 <u>2,397</u>	 <u>1,397</u>
 INTEREST INCOME	 <u>900</u>	 <u>900</u>	 <u>27,022</u>	 <u>26,122</u>
 MISCELLANEOUS:				
Donations	-	-	19,700	19,700
Refunds and Reimbursements	-	-	20	20
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>4,219</u>	<u>4,219</u>
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>23,939</u>	<u>23,939</u>
 TOTAL RECEIPTS	 <u>772,393</u>	 <u>772,393</u>	 <u>837,351</u>	 <u>64,958</u>
 AMOUNT AVAILABLE FOR APPROPRIATION	 <u>\$1,547,718</u>	 <u>\$1,547,718</u>	 <u>\$1,612,676</u>	 <u>\$ 64,958</u>

CITY OF MORRISTOWN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
DISBURSEMENTS:				
GENERAL GOVERNMENT:				
Mayor and Council:				
Personnel Services	\$ 7,320	\$ 7,320	\$ 7,013	\$ 307
Supplies	800	800	337	463
Other Current Disbursements	3,310	3,310	1,944	1,366
Election:				
Personnel Services	2,000	2,000	3,982	(1,982)
Current Disbursements	1,050	1,050	1,235	(185)
City Clerk/Administrator:				
Personnel Services	115,100	115,100	107,816	7,284
Other Current Disbursements	1,000	1,000	446	554
General Government Building:				
Current Disbursements	4,250	4,250	4,137	113
Planning and Zoning:				
Personnel Services	3,500	3,500	781	2,719
Supplies	-	-	280	(280)
Other Current Disbursements	-	-	567	(567)
Independent Auditing:				
Current Disbursements	3,800	3,800	3,760	40
Legal:				
Current Disbursements	<u>20,000</u>	<u>20,000</u>	<u>28,222</u>	<u>(8,222)</u>
Total General Government	<u>162,130</u>	<u>162,130</u>	<u>160,520</u>	<u>1,610</u>
PUBLIC SAFETY:				
Police Protection:				
Current Disbursements	209,513	209,513	127,724	81,789
Civil Defense:				
Current Disbursements	2,500	2,500	3,285	(785)
Animal Control	<u>-</u>	<u>-</u>	<u>46</u>	<u>(46)</u>
Total Public Safety	<u>212,013</u>	<u>212,013</u>	<u>131,055</u>	<u>81,004</u>
PUBLIC WORKS:				
Highways and Streets:				
Personnel Services	101,983	101,983	85,668	16,315
Supplies	39,200	39,200	26,528	12,672
Other Current Disbursements	57,510	57,510	39,900	17,610
Capital Outlay	20,900	20,900	-	20,900
Street Lighting:				
Current Expenditures	<u>11,000</u>	<u>11,000</u>	<u>1,467</u>	<u>9,533</u>
Total Public Works	<u>230,593</u>	<u>230,593</u>	<u>153,563</u>	<u>77,030</u>

CITY OF MORRISTOWN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
DISBURSEMENTS:				
CULTURE AND RECREATION:				
Parks:				
Personnel Services	\$ 100	\$ 100	\$ 113	\$ (13)
Supplies	5,500	5,500	5,250	250
Other Current Disbursements	24,000	24,000	14,833	9,167
City Hall/Community Center				
Personnel Services	10,560	10,560	7,826	2,734
Supplies	10,500	10,500	5,378	5,122
Other Current Disbursements	<u>44,700</u>	<u>44,700</u>	<u>37,883</u>	<u>6,817</u>
Total Culture and Recreation	<u>95,360</u>	<u>95,360</u>	<u>71,283</u>	<u>24,077</u>
SANITATION:				
Composting:				
Supplies	700	700	297	403
Other Current Disbursements	<u>400</u>	<u>400</u>	<u>400</u>	
Total Sanitation	<u>1,100</u>	<u>1,100</u>	<u>697</u>	<u>403</u>
MISCELLANEOUS:				
Current Disbursements	<u>5,001</u>	<u>5,001</u>	<u>5,198</u>	<u>(197)</u>
TOTAL DISBURSEMENTS	<u>706,197</u>	<u>706,197</u>	<u>522,316</u>	<u>183,927</u>
OTHER FINANCING USES:				
Transfer to Debt Service Funds	<u>66,196</u>	<u>66,196</u>	<u>15,826</u>	<u>50,370</u>
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	<u>772,393</u>	<u>772,393</u>	<u>538,142</u>	<u>234,297</u>
Ending Budgetary Fund Balance - December 31	<u>\$ 775,325</u>	<u>\$ 775,325</u>	<u>\$1,074,534</u>	<u>\$ 299,255</u>

CITY OF MORRISTOWN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance - January 1	<u>\$ 578,061</u>	<u>\$ 578,061</u>	<u>\$ 578,061</u>	<u>\$ -</u>
RECEIPTS:				
TAXES:				
General Property Taxes	<u>44,070</u>	<u>44,070</u>	<u>37,627</u>	<u>(6,443)</u>
INTERGOVERNMENTAL REVENUE:				
State Fire Aid	<u>25,000</u>	<u>25,000</u>	<u>41,564</u>	<u>16,564</u>
Total Intergovernmental Revenue	<u>25,000</u>	<u>25,000</u>	<u>41,564</u>	<u>16,564</u>
CHARGES FOR SERVICES:				
Public Safety	<u>86,666</u>	<u>86,666</u>	<u>78,423</u>	<u>(8,243)</u>
Total Charges for Services	<u>86,666</u>	<u>86,666</u>	<u>78,423</u>	<u>(8,243)</u>
INTEREST INCOME	<u>2,000</u>	<u>2,000</u>	<u>7,969</u>	<u>5,969</u>
MISCELLANEOUS:				
Donations	-	-	192,255	192,255
Refunds and Reimbursements	-	-	7,195	7,195
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>16,320</u>	<u>16,320</u>
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>215,770</u>	<u>215,770</u>
TOTAL RECEIPTS	<u>157,736</u>	<u>157,736</u>	<u>381,353</u>	<u>223,617</u>
AMOUNT AVAILABLE FOR APPROPRIATION	<u>\$ 735,797</u>	<u>\$ 735,797</u>	<u>\$ 959,414</u>	<u>\$ 223,617</u>
DISBURSEMENTS:				
PUBLIC SAFETY:				
Fire Protection:				
Personnel Services	87,100	87,100	104,103	(17,003)
Supplies	13,000	13,000	12,608	392
Other Current Disbursements	<u>50,336</u>	<u>50,336</u>	<u>54,897</u>	<u>(4,561)</u>
Total Public Safety	<u>150,436</u>	<u>150,436</u>	<u>171,608</u>	<u>(21,172)</u>
TOTAL DISBURSEMENTS	<u>150,436</u>	<u>150,436</u>	<u>171,608</u>	<u>(21,172)</u>
OTHER FINANCING USES:				
Transfer Out	<u>7,300</u>	<u>7,300</u>	<u>728,719</u>	<u>(721,419)</u>
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	<u>157,736</u>	<u>157,736</u>	<u>900,327</u>	<u>(742,591)</u>
Ending Budgetary Fund Balance - December 31	<u>\$ 578,061</u>	<u>\$ 578,061</u>	<u>\$ 59,087</u>	<u>\$ (518,974)</u>

SECTION IV

SUPPLEMENTAL SECTION

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

	Special Revenue Fund	Debt Service Funds		Capital Project Funds					Total Nonmajor Governmental Funds
	Economic Development	2015A/2020A G.O. Bonds	2024 Bond Project Debt	Revolving Capital Improvement	Skywarn Capital Reserve	Streets Capital Reserve Fund	Parks Capital Reserves - Donated Funds	2022 Street Capital Project	
ASSETS									
Cash and Cash Investments	\$ <u>30,370</u>	\$ <u>113,232</u>	\$ <u>309,527</u>	\$ <u>212,976</u>	\$ <u>17,831</u>	\$ <u>17,904</u>	\$ <u>18,115</u>	\$ <u>483</u>	\$ <u>720,438</u>
Total Assets	\$ <u>30,370</u>	\$ <u>113,232</u>	\$ <u>309,527</u>	\$ <u>212,976</u>	\$ <u>17,831</u>	\$ <u>17,904</u>	\$ <u>18,115</u>	\$ <u>483</u>	\$ <u>720,438</u>
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
CASH FUND BALANCES									
Restricted	-	113,232	309,527	-	-	-	-	483	423,242
Committed	30,370	-	-	8,579	689	-	18,115	-	57,753
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,397</u>	<u>17,142</u>	<u>17,904</u>	<u>-</u>	<u>-</u>	<u>239,443</u>
Total Cash Fund Balances	<u>30,370</u>	<u>113,232</u>	<u>309,527</u>	<u>212,976</u>	<u>17,831</u>	<u>17,904</u>	<u>18,115</u>	<u>483</u>	<u>720,438</u>
Total Liabilities and Cash Fund Balances	\$ <u><u>30,370</u></u>	\$ <u><u>113,232</u></u>	\$ <u><u>309,527</u></u>	\$ <u><u>212,976</u></u>	\$ <u><u>17,831</u></u>	\$ <u><u>17,904</u></u>	\$ <u><u>18,115</u></u>	\$ <u><u>483</u></u>	\$ <u><u>720,438</u></u>

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

	Special Revenue Fund	Debt Service Funds			Capital Project Funds				Total Nonmajor Governmental Funds
	Economic Development	2015A/2020 A G.O. Bonds	2024 Bond Project Debt	Revolving Capital Improvement	Skywarn Capital Reserve	Streets Capital Reserve Fund	Parks Capital Reserves - Donated Funds	2022 Street Capital Project	
RECEIPTS									
Taxes	\$ -	\$ 110,053	\$ 306,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 416,692
Intergovernmental Revenue	-	-	-	-	-	17,600	-	-	17,600
Interest Income	1,183	3,096	2,889	8,580	689	304	1,235	11,206	29,181
Miscellaneous	-	-	-	-	-	-	11,000	-	11,000
Total Receipts	<u>1,183</u>	<u>113,149</u>	<u>309,528</u>	<u>8,580</u>	<u>689</u>	<u>17,904</u>	<u>12,235</u>	<u>11,206</u>	<u>474,473</u>
DISBURSEMENTS									
Culture and Recreation	-	-	-	-	-	-	22,735	-	22,735
Economic Development	600	-	-	-	-	-	-	-	600
Miscellaneous	-	500	-	-	-	-	-	-	500
Principal Payments	-	85,000	-	-	-	-	-	-	85,000
Interest Payments	-	20,259	-	-	-	-	-	-	20,259
Capital Outlay	-	-	-	-	-	-	22,426	22,477	44,903
Total Disbursements	<u>600</u>	<u>105,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,161</u>	<u>22,477</u>	<u>173,997</u>
EXCESS RECEIPTS OVER (UNDER)									
DISBURSEMENTS	583	7,390	309,528	8,580	689	17,904	(32,926)	(11,271)	300,476
OTHER FINANCING SOURCES (USES):									
Transfer Out	-	-	-	-	-	-	-	(273,038)	(273,038)
NET CHANGE IN CASH FUND BALANCES	583	7,390	309,528	8,580	689	17,904	(32,926)	(284,309)	27,438
CASH FUND BALANCES - January 1	<u>29,787</u>	<u>105,842</u>	<u>-</u>	<u>204,396</u>	<u>17,142</u>	<u>-</u>	<u>51,041</u>	<u>284,792</u>	<u>693,000</u>
CASH FUND BALANCES - December 31	<u>\$ 30,370</u>	<u>\$ 113,232</u>	<u>\$ 309,528</u>	<u>\$ 212,976</u>	<u>\$ 17,831</u>	<u>\$ 17,904</u>	<u>\$ 18,115</u>	<u>\$ 483</u>	<u>\$ 720,438</u>

CITY OF MORRISTOWN, MINNESOTA
SCHEDULE OF CITY INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Bonded Indebtedness</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance January 1</u>	<u>Issued in 2024</u>	<u>Paid in 2024</u>	<u>Balance December 31</u>	<u>Current Amount Due</u>
GO Bonds								
2024A G.O. Improvement Bond	4.25-4.9%	07/02/24	03/04/45	\$ -	\$1,590,000	\$ -	\$ 1,590,000	\$ -
2020A G.O. Crossover Refunding	1.05-2.45%	11/10/20	03/01/35	1,170,000	-	90,000	1,080,000	85,000
2022A G.O. Improvement Bond	2.6-4.0%	08/23/22	03/01/43	<u>2,065,000</u>	<u>-</u>	<u>-</u>	<u>2,065,000</u>	<u>75,000</u>
Total City Indebtedness				<u>\$ 3,235,000</u>	<u>\$1,590,000</u>	<u>\$ 90,000</u>	<u>\$ 4,735,000</u>	<u>\$ 160,000</u>

CITY OF MORRISTOWN, MINNESOTA
SUMMARY FINANCIAL REPORT

RECEIPTS AND DISBURSEMENTS FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

The purpose of this report is to provide a summary of financial information concerning the City of Morristown to interested citizens. The complete financial statements may be examined at the City Hall, PO Box 362, Morristown, Minnesota. Questions about this report should be directed to Ellen Judd, City Administrator, at (507)685-2302.

	Total <u>2024</u>	Total <u>2023</u>	Percent Increase (Decrease)
RECEIPTS:			
Taxes and Assessments	\$ 1,087,050	\$ 772,422	40.73 %
Licenses and Permits	15,756	18,234	(13.59)%
Intergovernmental	1,922,205	404,081	375.70 %
Charges for Services	91,509	89,283	2.49 %
Fines	2,397	2,675	(10.39)%
Investment Earnings	112,821	43,869	157.18 %
Miscellaneous	648,767	196,721	229.79 %
Issuance of Debt	1,590,000	-	100.00 %
Transfer In	<u>1,026,421</u>	<u>8,838</u>	<u>11,513.72 %</u>
Total Receipts	<u>\$ 6,496,926</u>	<u>\$ 1,536,123</u>	<u>322.94 %</u>
Per Capita	<u>6,458</u>	<u>1,527</u>	
DISBURSEMENTS:			
Current			
General Government	\$ 160,520	\$ 142,657	12.52 %
Public Safety	441,935	325,250	35.88 %
Public Works	153,563	185,203	(17.08)%
Culture and Recreation	94,018	66,862	40.61 %
Sanitation	697	864	3,072.00 %
Economic Development	600	-	100.00 %
Miscellaneous	6,198	19,042	(67.45)%
Debt Service:			
Principal Payments	160,000	90,000	77.78 %
Interest Payments	96,284	99,889	(3.61)%
Other Charges	-	15,827	(100.00)%
Debt Issuance Cost	42,539	500	8,407.80 %
Capital Outlay	2,542,953	450,824	464.07 %
Transfer Out	<u>1,017,583</u>	<u>-</u>	<u>100.00 %</u>
Total Disbursements	<u>\$ 4,716,890</u>	<u>\$ 1,396,918</u>	<u>237.66 %</u>
Per Capita	<u>4,689</u>	<u>1,389</u>	
Total Long-term Indebtedness	<u>\$ 4,575,000</u>	<u>\$ 3,145,000</u>	<u>45.47 %</u>
Per Capita	<u>4,548</u>	<u>3,126</u>	
General Fund Cash Balance - December 31	<u>\$ 1,074,534</u>	<u>\$ 775,825</u>	<u>38.50 %</u>
Per Capita	<u>1,068</u>	<u>771</u>	

CITY OF MORRISTOWN, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Fund</u>	<u>Source of Revenue and Purpose</u>	<u>Amount</u>
General	Rice County - Property Taxes	\$ 18,207
General	Edward Jones - Interest	5,422
General	Banks - Interest	2,040
Water, Sewer, Garbage	Residents - Utility Charges	<u>49,257</u>
Total Accounts Receivable		\$ <u>74,926</u>

CITY OF MORRISTOWN, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Eckberg Lammers	Prosecution services	\$ 412
Fire	Community Co-op Oil Assn	December Fuel Charges	272
General, Fire, Water, Sewer	CenterPoint Energy	December Gas Utilities	1,913
General, Water, Sewer	CenterPoint Energy	December Gas Utilities	1,189
Refuse	Archambault Brothers Inc	Refuse Disposal	5,828
General	Amazon	Supplies	180
Water, Sewer	Badger Meter	Service Fees	345
General	Overhead Door	Repairs	2,193
Sewer	Utility Consultants	Testing	978
General	Rice county Highway Dept	Salt/sand mixture	980
Fire	Everest Emergency Vehicles	Supplies	43
General, Fire, Sewer	Napa	Supplies	445
General	Timms Trucking & Excavating	Snow and Ice	1,310
Water, Sewer	Clearway Community Solar	Electricity	695
General, Water, Sewer	Community Co-op Oil Assn	December Fuel Charges	639
General	Smith, Tollefson Rahrnick	Legal Fees	5,343
Fire	Kyle Morris	Postage	146
Fire	Eagle Engraving	Plaque	697
General	Rice County Property Tax	Supplies	220
General, Water, Sewer	Gopher State One	December Locates	31
General	Rice County Sheriffs Office	Contract	<u>38,350</u>
Total Accounts Payable and Contingent Liabilities			\$ <u><u>62,209</u></u>

SECTION V

ADDITIONAL INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Morristown, Minnesota, which comprise of the statement of cash and unencumbered cash balances as of December 31, 2024, and the related statement of receipts received and disbursements paid for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Morristown, Minnesota's basic financial and have issued our report thereon dated March 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

City of Morristown, Minnesota's Response to Findings

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

March 13, 2025

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

INTERNAL CONTROL FINDINGS

Audit Finding 2024-001

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

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

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

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

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

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

Audit Finding 2024-002

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

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

Cause: There are a limited number of office employees.

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

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

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

MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of Morristown
Morristown, 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 City of Morristown, Minnesota, which comprise of the statement of cash and unencumbered cash balances as of December 31, 2024, and the related statement of receipts received and disbursements paid for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2025.

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

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

Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

March 13, 2025