

# **ANNUAL FINANCIAL REPORT**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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City of East Bethel, Minnesota  
Annual Financial Report  
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INTRODUCTORY SECTION

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
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City of East Bethel, Minnesota  
 City Council and Officials  
 For the Year Ended December 31, 2024

**CITY COUNCIL**

Name	Title	Term Expires
Ardie Anderson	Mayor	01/01/27
Suzanne Erkel	Council Member	01/01/29
Brian Mundle	Council Member	01/01/29
Jim Smith	Council Member	01/01/27
Tim Miller	Council Member	01/01/27

**CITY OFFICIALS**

Matt Look	City Administrator
Mike Jeziorski	Deputy City Administrator   Finance Director
Carrie Frost	Administrative Coordinator
Faye Bell	Administrative Assistant
Emily Jabs	Finance Coordinator
Desiree Stanford	Accounting Coordinator
Grace Gerard	City Planner
Nick Schmitz	Building Official
Steve Lutmer	Building Inspector
Misty Kolodziej	Building Permit Technician
Nate Ayshford	Public Works Manager
Rod Sanow	Fire Chief   Emergency Management Director
Ben Uden	Fire Inspector

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FINANCIAL SECTION  
CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of East Bethel, Minnesota

### Report on Financial Statements

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

### Basis for Qualified Opinion

The City switched to the Statewide Volunteer Firefighter (SVF) Plan as of January 1, 2024, and the Relief Association elected to forgo an actuarial valuation for the year ended December 31, 2023. Statement No. 67, Financial Reporting for Pension Plans, of the Governmental Accounting Standards Board requires an actuarial valuation every two years and to be performed as of a date no more than 24 months prior to the pension plan's fiscal year end. The City's latest valuation was measured as of December 31, 2022, which would require a valuation be performed for the year ended December 31, 2024. The qualified opinion applies only to the governmental activities opinion unit.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Unmodified Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund as of December 31, 2024, and the budgetary comparisons for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Change in Accounting Principle**

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and Statement No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting of page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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 May 6, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
May 6, 2025



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## **Management's Discussion and Analysis**

As management of the City of East Bethel, 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 fiscal year ended December 31, 2024.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was primarily due to both governmental and business activities.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to an increase capital grants and contributions and tax revenue. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The unassigned fund balance in the General fund as shown in the financial analysis of the City's funds section increased from prior year.
- The City's total bonded debt decreased during the fiscal year. The decrease was a result of schedule debt service payments as shown on the outstanding debt table.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide fund financial statements that include details about nonmajor special revenue governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1  
Organization of East Bethel  
Annual Financial Report**

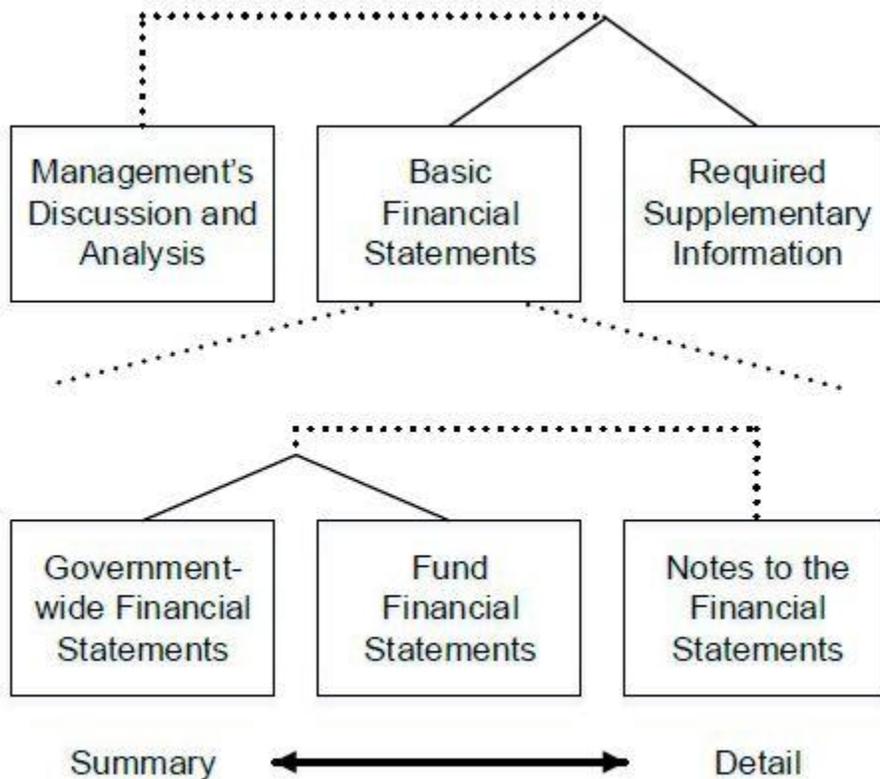


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, public works and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The government-wide financial statements 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 and deferred outflows or resources and 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 fiscal 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 fiscal 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) 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, culture and recreation, economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include an ice arena, wastewater treatment and water utility.

The government-wide financial statements start on page 31 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 resources, as well as on balances of spendable resources available at the end of the fiscal 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 change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds, two of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Municipal State Aid Street Improvement, and the Street Capital fund, all of which are considered to be major funds. 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 or schedules* elsewhere in this report.

The City adopts an annually appropriated budget for its General fund and its special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements start on page 36 of this report.

**Proprietary Funds.** The City maintains three enterprise funds and two internal service funds of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Because the Internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility and ice arena operations. The City uses internal services funds for compensated absences and equipment replacement.

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 start on page 41 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions to its employees. The required supplementary information starts on page 76.

**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 start on page 86 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 the close of the most recent fiscal year as shown in the summary of net position below.

The largest portion of the City's net position 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.

**City of East Bethel's Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Current and Other Assets	\$ 12,654,563	\$ 11,892,812	\$ 761,751	\$ 3,796,163	\$ 3,116,194	\$ 679,969
Capital Assets	27,176,053	27,951,895	(775,842)	10,679,621	11,208,502	(528,881)
Total Assets	<u>39,830,616</u>	<u>39,844,707</u>	<u>(14,091)</u>	<u>14,475,784</u>	<u>14,324,696</u>	<u>151,088</u>
Deferred Outflows of Resources	898,483	1,083,383	(184,900)	-	-	-
Long-term Liabilities Outstanding	15,841,113	16,595,423	(754,310)	1,823,358	2,000,000	(176,642)
Other Liabilities	589,830	735,199	(145,369)	17,404	39,494	(22,090)
Total Liabilities	<u>16,430,943</u>	<u>17,330,622</u>	<u>(899,679)</u>	<u>1,840,762</u>	<u>2,039,494</u>	<u>(198,732)</u>
Deferred Inflows of Resources	2,797,088	2,714,387	82,701	-	-	-
Net Assets						
Net investment in capital assets	14,081,666	14,547,821	(466,155)	7,140,650	9,208,502	(2,067,852)
Restricted	1,798,465	1,922,811	(124,346)	-	-	-
Unrestricted	<u>5,620,937</u>	<u>4,412,449</u>	<u>1,208,488</u>	<u>5,494,372</u>	<u>3,076,700</u>	<u>2,417,672</u>
Total Net Position	<u>\$ 21,501,068</u>	<u>\$ 20,883,081</u>	<u>\$ 617,987</u>	<u>\$ 12,635,022</u>	<u>\$ 12,285,202</u>	<u>\$ 349,820</u>
Net Position as a Percent of Total						
Net Investment in capital assets	65.5 %	69.7 %		56.5 %	75.0 %	
Restricted	8.4	9.2		-	-	
Unrestricted	<u>26.1</u>	<u>21.1</u>		<u>43.5</u>	<u>25.0</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental activities.

### Governmental Activities and Business-type Activities

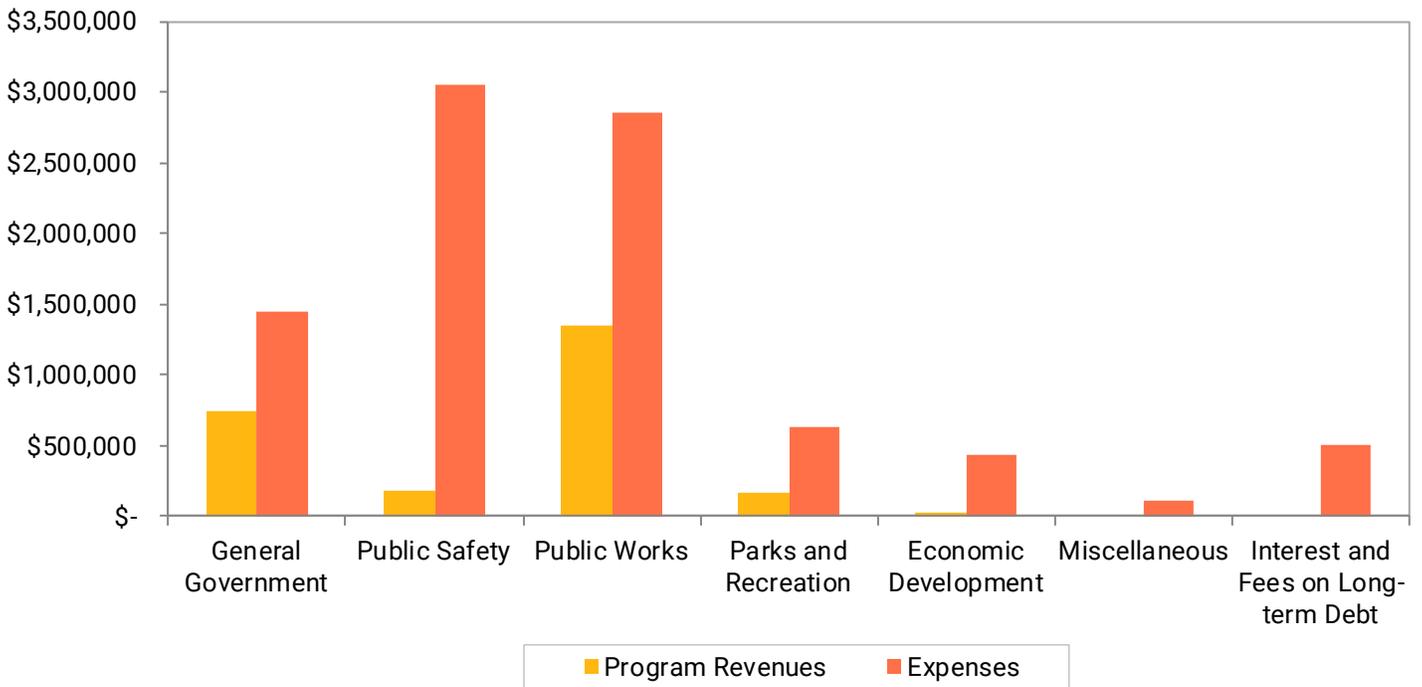
Governmental and business type activities increased the City's net position as shown below. Key elements of the changes in net position are as follows:

### City of East Bethel's Changes in Net Position

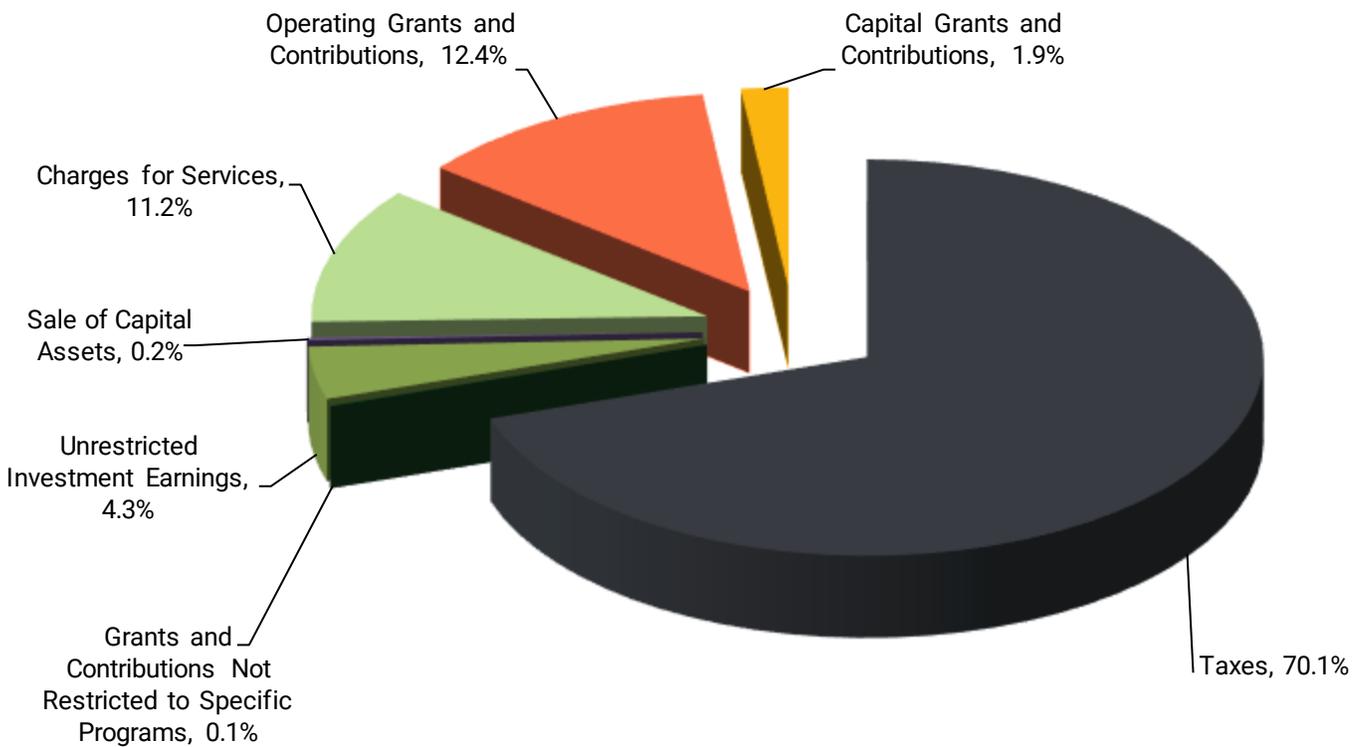
	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,086,709	\$ 1,027,478	\$ 59,231	\$ 720,148	\$ 695,425	\$ 24,723
Operating grants and contributions	1,208,333	1,034,734	173,599	-	-	-
Capital grants and contributions	184,490	691,934	(507,444)	608,622	126,741	481,881
General revenues						
Taxes	6,812,855	6,705,915	106,940	-	-	-
Grants and contributions not restricted to specific programs	8,636	5,715	2,921	-	-	-
Unrestricted investment earnings	414,889	352,967	61,922	153,117	127,344	25,773
Sale of capital assets	23,293	808	22,485	-	-	-
Miscellaneous	17,939	-	17,939	-	-	-
<b>Total Revenues</b>	<b>9,757,144</b>	<b>9,819,551</b>	<b>(62,407)</b>	<b>1,481,887</b>	<b>949,510</b>	<b>532,377</b>
<b>Expenses</b>						
General government	1,442,382	1,493,097	(50,715)	-	-	-
Public safety	3,056,981	3,001,134	55,847	-	-	-
Public works	2,864,934	3,563,281	(698,347)	-	-	-
Parks and recreation	626,893	597,367	29,526	-	-	-
Economic Development	441,215	785,286	(344,071)	-	-	-
Miscellaneous	112,536	108,417	4,119	-	-	-
Water utility	-	-	-	402,158	452,416	(50,258)
Sewer utility	-	-	-	492,666	955,091	(462,425)
Ice arena	-	-	-	237,243	229,031	8,212
Interest on long-term debt	510,301	521,125	(10,824)	-	-	-
<b>Total Expenses</b>	<b>9,055,242</b>	<b>10,069,707</b>	<b>(1,014,465)</b>	<b>1,132,067</b>	<b>1,636,538</b>	<b>(504,471)</b>
<b>Change in Net Position</b>	<b>701,902</b>	<b>(250,156)</b>	<b>952,058</b>	<b>349,820</b>	<b>(687,028)</b>	<b>1,036,848</b>
Net Position, January 1, as Previously Reported	20,883,081	21,133,237	(250,156)	12,285,202	12,972,230	(687,028)
Change to Financial Reporting Entity (Note 7)	(83,915)	-	(83,915)	-	-	-
Net Position, January 1, as Adjusted	20,799,166	21,133,237	(334,071)	12,285,202	12,972,230	(687,028)
Net Position, December 31	\$ 21,501,068	\$ 20,883,081	\$ 617,987	\$ 12,635,022	\$ 12,285,202	\$ 349,820

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

### Expenses and Program Revenues - Governmental Activities

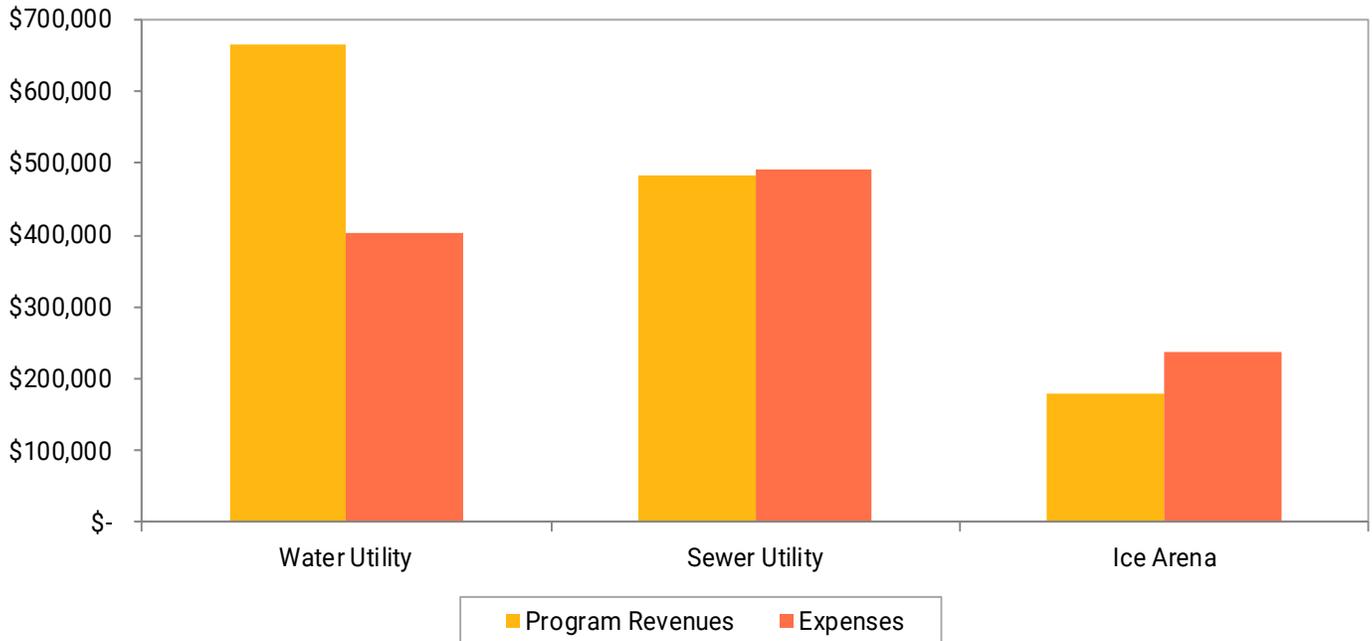


### Revenues by Source - Governmental Activities

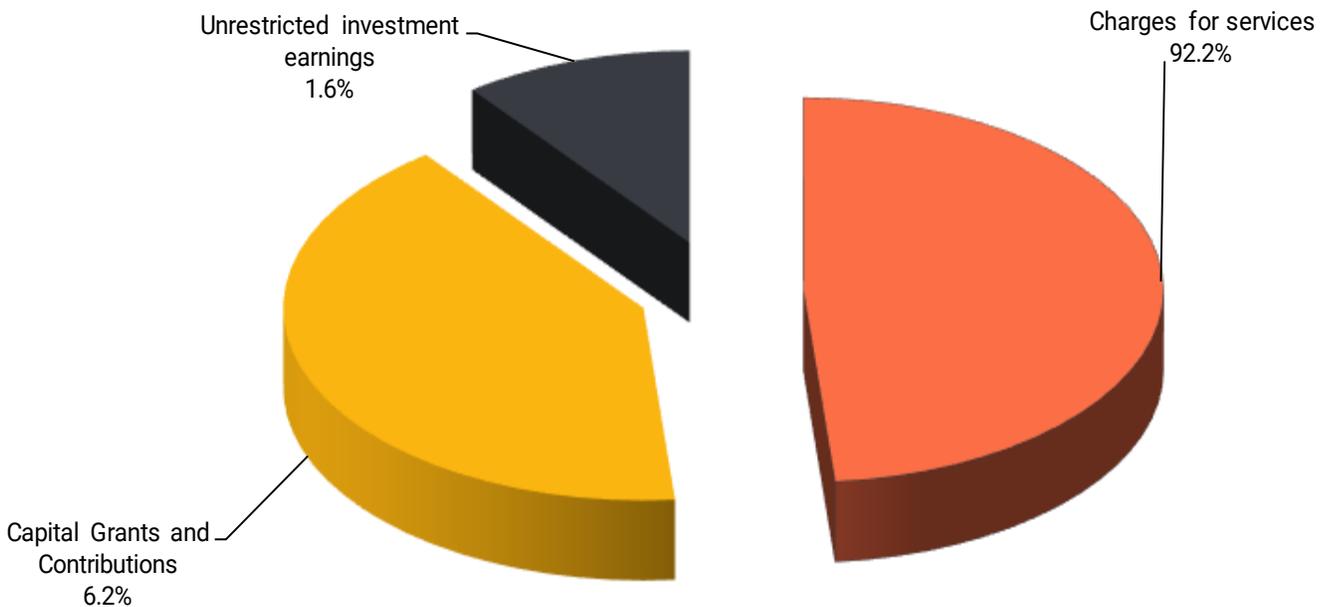


**Business-type Activities.** Business-type activities decreased net position as shown in the changes in net position table. Below are graphs showing the business-type activities revenue and expense comparisons:

### Expenses and Program Revenues - Business-type Activities



Revenues from Business-type activities come from the following areas:



## 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 fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2024

	General Fund	Debt Service Fund	Municipal State Aid Street Improvement	Street Capital	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 73,057	\$ -	\$ -	\$ -	\$ -	\$ 73,057	\$ 48,981	\$ 24,076
Restricted	-	1,168,204	-	-	698,569	1,866,773	1,588,434	278,339
Committed	-	-	-	672,024	-	672,024	564,726	107,298
Assigned	-	-	-	-	717,157	717,157	745,513	(28,356)
Unassigned	5,167,554	-	(773,564)	-	(380,872)	4,013,118	3,678,614	334,504
	<u>\$ 5,240,611</u>	<u>\$ 1,168,204</u>	<u>\$ (773,564)</u>	<u>\$ 672,024</u>	<u>\$ 1,034,854</u>	<u>\$ 7,342,129</u>	<u>\$ 6,626,268</u>	<u>\$ 715,861</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 45 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 73,057	\$ 48,981	\$ 24,076
Unassigned	5,167,554	4,667,313	500,241
	<u>\$ 5,240,611</u>	<u>\$ 4,716,294</u>	<u>\$ 524,317</u>
General Fund expenditures	\$ 5,826,719	\$ 5,564,470	
Unassigned as a percent of expenditures	88.7%	83.9%	
Total Fund Balance as a percent of expenditures	89.9%	84.8%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was an increase in revenues from licenses and permits, charges for services, and interest earned on investments.

Other major governmental fund analysis is shown below:

	December 31,		Increase (Decrease)
	2024	2023	
Debt Service fund <i>The increase in fund balance during the year was tax revenues exceeding debt service payments for the year.</i>	\$ 1,168,204	\$ 1,081,629	\$ 86,575
Municipal State Aid Street Improvement <i>The decrease is due to spending state aid prior to recognizing the revenue.</i>	\$ (773,564)	\$ (579,355)	\$ (194,209)
Street Capital <i>The increase is due to transfers in from other funds.</i>	\$ 672,024	\$ 564,726	\$ 107,298

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail on page 41 of this report.

	December 31,		Increase/ (Decrease)
	2024	2023	
Water Utility <i>The increase primarily is attributed to increases in charges for services along with decreased repair and maintenance expenses in the current year.</i>	\$ 7,135,958	\$ 6,786,920	\$ 349,038
Sewer Utility <i>The increase primarily is attributed to an increase in charges for services in the current year.</i>	\$ 5,167,962	\$ 5,114,594	\$ 53,368
Ice Arena <i>The decrease is primarily due to a decrease in operating revenues and an increase in operating expenses during the year.</i>	\$ 331,102	\$ 383,688	\$ (52,586)

**General Fund Budgetary Highlights**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 6,571,700	\$ 7,051,036	\$ 479,336
Expenditures	6,096,700	5,826,719	269,981
Excess of Revenues Over Expenditures	475,000	1,224,317	749,317
Other Financing Sources (Uses) Transfers out	(700,000)	(700,000)	-
Net Change in Fund Balances	(225,000)	524,317	749,317
Fund Balances, January 1	4,716,294	4,716,294	
Fund Balances, December 31	\$ 4,491,294	\$ 5,240,611	\$ 749,317

The City's budget was not amended in 2024 and called for spending \$225,000 of fund balance. Some of the line items with significant variances from the final budget are highlighted below: ,

- All revenues classifications were over budget, with the exception of special assessments.
- The largest revenue variance was in charges for services with \$139,589 more revenue than budgeted.
- The largest expenditure variance was in public safety which was under budget by \$139,449.

### 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, is shown in the chart below. This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines, water lines and wells, storm sewers, and infrastructure.

### City of East Bethel's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 1,471,695	\$ 1,471,695	\$ -	\$ 30,000	\$ 30,000	\$ -
Construction in Progress	1,466,761	2,022,670	(555,909)	-	-	-
Buildings and Structures	929,729	1,108,252	(178,523)	150,169	128,082	22,087
Machinery and Equipment	1,448,384	1,640,341	(191,957)	29,707	44,560	(14,853)
Park Improvements	916,606	788,423	128,183	-	-	-
Sewer Main Lines and Storm Sewers	518,712	579,073	(60,361)	-	-	-
Infrastructure	20,424,166	20,341,441	82,725	10,469,745	11,005,860	(536,115)
<b>Total Capital Assets</b>	<b>\$ 27,176,053</b>	<b>\$ 27,951,895</b>	<b>\$ (775,842)</b>	<b>\$ 10,679,621</b>	<b>\$ 11,208,502</b>	<b>\$ (528,881)</b>
Percent increase (decrease)			-2.8%			-4.7%

Additional information on the City's capital assets can be found in Note 3C starting on page 57 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$16,633,358 which was a decrease of \$581,642 from 2023.

A portion of the debt outstanding at year-end is general obligation debt, which are backed by the full faith and credit of the City. Some of the general obligation bonds have specific revenue sourced pledged other than property taxes, but in the event those other sources were insufficient, the City would be required to the he shortfall through property taxes.

The City's long-term debt at December 31, 2024 is as follows:

### City of East Bethel's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
General Obligation Revenue Bonds	\$ 14,810,000	\$ 15,215,000	\$ (405,000)	\$ -	\$ -	\$ -
Loan Payable	-	-	-	1,823,358	2,000,000	(176,642)
<b>Totals</b>	<b>\$ 14,810,000</b>	<b>\$ 15,215,000</b>	<b>\$ (405,000)</b>	<b>\$ 1,823,358</b>	<b>\$ 2,000,000</b>	<b>\$ (176,642)</b>
Percent increase (decrease)			-2.7%			-8.8%

State statutes limit the amount of general obligation debt a Minnesota city may issue to three percent of total Estimated Market Value. Of the City's outstanding debt, \$0 is counted within the statutory limitation which is under the City's Estimated Market Value.

Additional information on the City's long-term debt can be found in Note 3E starting on page 59 of this report.

### **Economic Factors and Next Year's Budget**

- The City will continue to closely monitor the effects of inflation and its impact on economic factors such as interest rates, building activity and costs of supplies.
- The City adopted a General Fund Expenditure Budget for 2025 that was 3 percent higher than 2024.
- The City adopted an Overall City Levy for 2025 that was 2.9 percent higher than 2024.

**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 City of East Bethel, Finance Department, 2241 221<sup>st</sup> Avenue N.E., East Bethel, Minnesota 55011.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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City of East Bethel, Minnesota  
Statement of Net Position  
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and investments	\$ 10,631,199	\$ 3,723,009	\$ 14,354,208	\$ 91,661
Receivables				
Accrued interest	10,514	-	10,514	-
Taxes	159,562	-	159,562	4,588
Special assessments	464,362	23,440	487,802	-
Accounts	11,069	49,714	60,783	-
Leases	1,289,184	-	1,289,184	-
Due from other governments	35,405	-	35,405	-
Net pension asset	53,268	-	53,268	-
Capital assets				
Land and construction in progress	2,938,456	30,000	2,968,456	-
Depreciable assets (net of accumulated depreciation)	24,237,597	10,649,621	34,887,218	-
Total Assets	<u>39,830,616</u>	<u>14,475,784</u>	<u>54,306,400</u>	<u>96,249</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	898,483	-	898,483	-
<b>Liabilities</b>				
Accounts and contracts payable	143,141	15,498	158,639	-
Salaries payable	109,889	1,906	111,795	-
Accrued interest payable	209,469	-	209,469	-
Deposits payable	123,590	-	123,590	-
Unearned revenue	3,741	-	3,741	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	602,932	181,464	784,396	-
Due in more than one year				
Long-term liabilities	14,423,083	1,641,894	16,064,977	-
Net pension liability	815,098	-	815,098	-
Total Liabilities	<u>16,430,943</u>	<u>1,840,762</u>	<u>18,271,705</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Advance from other governments- MSA State Aids	751,089	-	751,089	-
Deferred lease resources	1,216,127	-	1,216,127	-
Deferred pension resources	829,872	-	829,872	-
Total Deferred Inflows of Resources	<u>2,797,088</u>	<u>-</u>	<u>2,797,088</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	14,081,666	7,140,650	21,222,316	-
Restricted for				
Fire pension	53,268	-	53,268	-
Debt service	1,045,548	-	1,045,548	-
Recycling	82,069	-	82,069	-
Housing and redevelopment	322,878	-	322,878	-
Economic development	103,887	-	103,887	96,249
Park development	190,815	-	190,815	-
Unrestricted	5,620,937	5,494,372	11,115,309	-
Total Net Position	<u>\$ 21,501,068</u>	<u>\$ 12,635,022</u>	<u>\$ 34,136,090</u>	<u>\$ 96,249</u>

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

City of East Bethel, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Government Activities</b>				
General government	\$ 1,442,382	\$ 746,261	\$ -	\$ -
Public safety	3,056,981	-	178,626	-
Public works	2,864,934	340,448	1,004,240	12,492
Culture and recreation	626,893	-	-	171,998
Housing and economic development	441,215	-	25,467	-
Miscellaneous	112,536	-	-	-
Interest on long-term debt	510,301	-	-	-
Total Government Activities	9,055,242	1,086,709	1,208,333	184,490
<b>Business-type Activities</b>				
Water utility	402,158	283,004	-	383,100
Sewer utility	492,666	258,894	-	225,522
Ice arena	237,243	178,250	-	-
Total Business-type Activities	1,132,067	720,148	-	608,622
Total Primary Government	\$ 10,187,309	\$ 1,806,857	\$ 1,208,333	\$ 793,112

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increment

Franchise taxes

Gambling tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Total General Revenues

Change in Net Position

Net Position, January 1, as Previously Reported

Change to Financial Reporting Entity (Note 7)

Net Position, January 1, as Adjusted

Net Position, December 31

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

Net (Expenses) Revenues and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	<i>Formerly Blended CU Economic Development Authority</i>
\$ (696,121)	\$ -	\$ (696,121)	\$ -
(2,878,355)	-	(2,878,355)	-
(1,507,754)	-	(1,507,754)	-
(454,895)	-	(454,895)	-
(415,748)	-	(415,748)	(127,546)
(112,536)	-	(112,536)	-
(510,301)	-	(510,301)	-
<u>(6,575,710)</u>	<u>-</u>	<u>(6,575,710)</u>	<u>(127,546)</u>
-	263,946	263,946	-
-	(8,250)	(8,250)	-
-	(58,993)	(58,993)	-
<u>-</u>	<u>196,703</u>	<u>196,703</u>	<u>-</u>
<u>(6,575,710)</u>	<u>196,703</u>	<u>(6,379,007)</u>	<u>(127,546)</u>
5,352,720	-	5,352,720	139,106
969,238	-	969,238	-
435,609	-	435,609	-
55,288	-	55,288	-
-	-	-	-
8,636	-	8,636	-
414,889	153,117	568,006	774
23,293	-	23,293	-
17,939	-	17,939	-
<u>7,277,612</u>	<u>153,117</u>	<u>7,430,729</u>	<u>139,880</u>
<u>701,902</u>	<u>349,820</u>	<u>1,051,722</u>	<u>12,334</u>
20,883,081	12,285,202	33,168,283	-
(83,915)	-	(83,915)	83,915
<u>20,799,166</u>	<u>12,285,202</u>	<u>33,084,368</u>	<u>83,915</u>
<u>\$ 21,501,068</u>	<u>\$ 12,635,022</u>	<u>\$ 34,136,090</u>	<u>\$ 96,249</u>

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

FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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City of East Bethel, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2024

	101	300's	402	406	Other	Total
	General	Debt Service	Municipal State Aid Street Improvement	Street Capital	Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 5,399,619	\$ 1,154,041	\$ (6,344)	\$ 699,582	\$ 1,003,211	\$ 8,250,109
Receivables						
Taxes	129,970	27,384	-	-	2,208	159,562
Special assessments	40,000	73,592	-	350,770	-	464,362
Accounts	11,069	-	-	-	-	11,069
Accrued interest	10,514	-	-	-	-	10,514
Leases	1,289,184	-	-	-	-	1,289,184
Due from other governments	3,300	-	-	-	32,105	35,405
<b>Total Assets</b>	<b>\$ 6,883,656</b>	<b>\$ 1,255,017</b>	<b>\$ (6,344)</b>	<b>\$ 1,050,352</b>	<b>\$ 1,037,524</b>	<b>\$ 10,220,205</b>
<b>Liabilities</b>						
Accounts and contracts payable	\$ 97,557	\$ -	\$ 16,131	\$ 27,863	\$ 1,590	\$ 143,141
Salaries payable	109,889	-	-	-	-	109,889
Deposits payable	123,590	-	-	-	-	123,590
Unearned revenue	3,741	-	-	-	-	3,741
<b>Total Liabilities</b>	<b>334,777</b>	<b>-</b>	<b>16,131</b>	<b>27,863</b>	<b>1,590</b>	<b>380,361</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	52,141	13,221	-	-	1,080	66,442
Unavailable revenue - special assessments	40,000	73,592	-	350,465	-	464,057
Lease resources	1,216,127	-	-	-	-	1,216,127
Advance from other governments	-	-	751,089	-	-	751,089
<b>Total Deferred Inflows of Resources</b>	<b>1,308,268</b>	<b>86,813</b>	<b>751,089</b>	<b>350,465</b>	<b>1,080</b>	<b>2,497,715</b>
<b>Fund Balances</b>						
Nonspendable	73,057	-	-	-	-	73,057
Restricted	-	1,168,204	-	-	698,569	1,866,773
Committed	-	-	-	672,024	-	672,024
Assigned	-	-	-	-	717,157	717,157
Unassigned	5,167,554	-	(773,564)	-	(380,872)	4,013,118
<b>Total Fund Balances</b>	<b>5,240,611</b>	<b>1,168,204</b>	<b>(773,564)</b>	<b>672,024</b>	<b>1,034,854</b>	<b>7,342,129</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,883,656</b>	<b>\$ 1,255,017</b>	<b>\$ (6,344)</b>	<b>\$ 1,050,352</b>	<b>\$ 1,037,524</b>	<b>\$ 10,220,205</b>

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

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

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

Total Fund Balances - Governmental	\$ 7,342,129
Long-term assets from pensions reported in governmental activities are not financial and therefore are not reported as assets in governmental funds.	
Pension asset	53,268
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	83,656,290
Less accumulated depreciation	(57,777,893)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Bonds payable	(14,810,000)
Net pension liability	(815,098)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	66,442
Special assessments receivable	464,057
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	898,483
Deferred inflows of pension resources	(829,872)
Governmental funds do not report a liability for accrued interest until due and payable.	
	(209,469)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position	
	<u>3,462,731</u>
Net Position of Governmental Activities	<u><u>\$21,501,068</u></u>

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

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

	101	300's	402	406	Other Governmental Funds	Total
	General	Debt Service	Municipal State Aid Street Improvement	Street Capital		
<b>Revenues</b>						
Taxes	\$ 5,379,100	\$ 969,238	\$ -	\$ -	\$ 512,874	\$ 6,861,212
Licenses and permits	409,271	-	-	-	-	409,271
Intergovernmental	359,274	-	531,457	-	267,534	1,158,265
Charges for services	613,289	-	-	-	175,998	789,287
Fines and forfeitures	26,614	-	-	-	-	26,614
Special assessments	12,500	11,067	-	63,320	-	86,887
Interest on investments	163,660	26,945	176	48,490	67,618	306,889
Miscellaneous	87,328	-	-	-	21,385	108,713
Total Revenues	<u>7,051,036</u>	<u>1,007,250</u>	<u>531,633</u>	<u>111,810</u>	<u>1,045,409</u>	<u>9,747,138</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	1,358,145	-	-	-	31,822	1,389,967
Public safety	2,782,673	-	-	-	-	2,782,673
Public works	1,037,763	-	-	-	71,346	1,109,109
Culture and recreation	535,602	-	-	-	-	535,602
Housing and economic development	-	-	-	-	31,760	31,760
Miscellaneous	112,536	-	-	-	-	112,536
<b>Capital outlay</b>						
Public works	-	-	725,842	715,174	1,920	1,442,936
Culture and recreation	-	-	-	-	212,649	212,649
Housing and economic development	-	-	-	-	409,455	409,455
<b>Debt service</b>						
Principal	-	405,000	-	-	-	405,000
Interest and other	-	515,675	-	-	-	515,675
Total Expenditures	<u>5,826,719</u>	<u>920,675</u>	<u>725,842</u>	<u>715,174</u>	<u>758,952</u>	<u>8,947,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,224,317</u>	<u>86,575</u>	<u>(194,209)</u>	<u>(603,364)</u>	<u>286,457</u>	<u>799,776</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	710,662	150,000	860,662
Transfers out	(700,000)	-	-	-	(160,662)	(860,662)
Total Other Financing Sources (Uses)	<u>(700,000)</u>	<u>-</u>	<u>-</u>	<u>710,662</u>	<u>(10,662)</u>	<u>-</u>
Net Change in Fund Balances	<u>524,317</u>	<u>86,575</u>	<u>(194,209)</u>	<u>107,298</u>	<u>275,795</u>	<u>799,776</u>
Fund Balances, January 1, as Previously Reported	4,716,294	1,081,629	(579,355)	564,726	842,974	6,626,268
Change to Financial Reporting Entity (Note 7)	-	-	-	-	(83,915)	(83,915)
Fund Balances, January 1, as Adjusted	<u>4,716,294</u>	<u>1,081,629</u>	<u>(579,355)</u>	<u>564,726</u>	<u>759,059</u>	<u>6,542,353</u>
Fund Balances, December 31	<u>\$ 5,240,611</u>	<u>\$ 1,168,204</u>	<u>\$ (773,564)</u>	<u>\$ 672,024</u>	<u>\$ 1,034,854</u>	<u>\$ 7,342,129</u>

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

City of East Bethel, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2024

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 799,776
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation	(2,274,774)
Capital outlay	1,668,106
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on bonds payable	405,000
<p>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 the 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.</p>	
	5,374
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	83,988
Pension revenue	1,465
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(48,357)
Special assessments	(74,395)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds are reported with governmental activities.</p>	
Consolidation of internal service fund activities with governmental activities	135,719
Change in Net Position of Governmental Activities	\$ 701,902

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

City of East Bethel, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,339,600	\$ 5,339,600	\$ 5,379,100	\$ 39,500
Licenses and permits	292,400	292,400	409,271	116,871
Intergovernmental	308,500	308,500	359,274	50,774
Charges for services	473,700	473,700	613,289	139,589
Fines and forfeitures	25,000	25,000	26,614	1,614
Special assessments	12,500	12,500	12,500	-
Interest on investments	60,000	60,000	163,660	103,660
Miscellaneous	60,000	60,000	87,328	27,328
Total Revenues	<u>6,571,700</u>	<u>6,571,700</u>	<u>7,051,036</u>	<u>479,336</u>
Expenditures				
Current				
General government	1,481,300	1,481,300	1,358,145	123,155
Public safety	2,896,100	2,896,100	2,782,673	113,427
Public works	1,076,600	1,076,600	1,037,763	38,837
Culture and recreation	534,200	534,200	535,602	(1,402)
Miscellaneous	108,500	108,500	112,536	(4,036)
Total Expenditures	<u>6,096,700</u>	<u>6,096,700</u>	<u>5,826,719</u>	<u>269,981</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	475,000	475,000	1,224,317	749,317
Other Financing Sources (Uses)				
Transfers out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net Change in Fund Balances	(225,000)	(225,000)	524,317	749,317
Fund Balances, January 1	<u>4,716,294</u>	<u>4,716,294</u>	<u>4,716,294</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 4,491,294</u></u>	<u><u>\$ 4,491,294</u></u>	<u><u>\$ 5,240,611</u></u>	<u><u>\$ 749,317</u></u>

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

City of East Bethel, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and investments	\$ 2,220,704	\$ 1,368,539	\$ 133,766	\$ 3,723,009	\$ 2,381,090
Receivables					
Special assessments	11,720	11,720	-	23,440	-
Accounts	26,622	22,900	192	49,714	-
Total Current Assets	<u>2,259,046</u>	<u>1,403,159</u>	<u>133,958</u>	<u>3,796,163</u>	<u>2,381,090</u>
<b>Noncurrent Assets</b>					
<b>Capital assets</b>					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,580,935	1,580,935	-
Machinery and equipment	-	-	158,237	158,237	4,888,665
Infrastructure	8,013,202	8,775,139	-	16,788,341	-
Less accumulated depreciation	<u>(3,131,784)</u>	<u>(3,186,812)</u>	<u>(1,559,296)</u>	<u>(7,877,892)</u>	<u>(3,591,009)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>4,881,418</u>	<u>5,588,327</u>	<u>209,876</u>	<u>10,679,621</u>	<u>1,297,656</u>
Total Assets	<u>7,140,464</u>	<u>6,991,486</u>	<u>343,834</u>	<u>14,475,784</u>	<u>3,678,746</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	4,506	166	10,826	15,498	-
Salaries payable	-	-	1,906	1,906	-
Compensated absences payable - current portion	-	-	-	-	157,932
Loan payable - current portion	-	181,464	-	181,464	-
Total Current Liabilities	<u>4,506</u>	<u>181,630</u>	<u>12,732</u>	<u>198,868</u>	<u>157,932</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable - noncurrent portion	-	-	-	-	58,083
Loan payable - noncurrent portion	-	1,641,894	-	1,641,894	-
Total Noncurrent Liabilities	<u>-</u>	<u>1,641,894</u>	<u>-</u>	<u>1,641,894</u>	<u>58,083</u>
Total Liabilities	<u>4,506</u>	<u>1,823,524</u>	<u>12,732</u>	<u>1,840,762</u>	<u>216,015</u>
<b>Net Position</b>					
Net investment in capital assets	4,881,418	3,764,969	209,876	8,856,263	1,297,656
Unrestricted	<u>2,254,540</u>	<u>1,402,993</u>	<u>121,226</u>	<u>3,778,759</u>	<u>2,165,075</u>
Total Net Position	<u>\$ 7,135,958</u>	<u>\$ 5,167,962</u>	<u>\$ 331,102</u>	<u>\$ 12,635,022</u>	<u>\$ 3,462,731</u>

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

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Operating Revenues					
Ice rentals and related revenue	\$ -	\$ -	\$ 164,394	\$ 164,394	\$ -
Rentals, signs, lockers and tower	-	-	10,850	10,850	-
Concession revenue	-	-	2,000	2,000	-
Charges for services	283,004	258,894	1,006	542,904	338,443
Total Operating Revenues	<u>283,004</u>	<u>258,894</u>	<u>178,250</u>	<u>720,148</u>	<u>338,443</u>
Operating Expenses					
Repairs and maintenance	7,787	7,207	34,787	49,781	-
Utilities	31,065	3,165	55,080	89,310	-
Professional services	231	77,710	55,827	133,768	58,443
Supplies	29,536	115	15,056	44,707	-
Other services and charges	76,840	70,453	44,232	191,525	-
Depreciation	256,699	279,416	32,261	568,376	275,574
Total Operating Expenses	<u>402,158</u>	<u>438,066</u>	<u>237,243</u>	<u>1,077,467</u>	<u>334,017</u>
Operating Loss	<u>(119,154)</u>	<u>(179,172)</u>	<u>(58,993)</u>	<u>(357,319)</u>	<u>4,426</u>
Nonoperating Revenues (Expenses)					
Gain on sale of capital assets	-	-	-	-	23,293
Interest on investments	85,092	61,618	6,407	153,117	108,000
Financing charge	-	(54,600)	-	(54,600)	-
Total Nonoperating Revenues (Expenses)	<u>85,092</u>	<u>7,018</u>	<u>6,407</u>	<u>98,517</u>	<u>131,293</u>
Income (Loss) Before Contributions	(34,062)	(172,154)	(52,586)	(258,802)	135,719
Capital Contributions	<u>383,100</u>	<u>225,522</u>	<u>-</u>	<u>608,622</u>	<u>-</u>
Change in Net Position	349,038	53,368	(52,586)	349,820	135,719
Net Position, January 1	<u>6,786,920</u>	<u>5,114,594</u>	<u>383,688</u>	<u>12,285,202</u>	<u>3,327,012</u>
Net Position, December 31	<u>\$ 7,135,958</u>	<u>\$ 5,167,962</u>	<u>\$ 331,102</u>	<u>\$ 12,635,022</u>	<u>\$ 3,462,731</u>

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

City of East Bethel, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 276,620	\$ 255,281	\$ 164,330	\$ 696,231	\$ -
Receipts from interfund services provided	-	-	-	-	338,443
Payments to suppliers	(151,498)	(164,300)	(176,119)	(491,917)	-
Payments to employees	-	-	-	-	(9,169)
Net Cash Provided (Used) by Operating Activities	<u>125,122</u>	<u>90,981</u>	<u>(11,789)</u>	<u>204,314</u>	<u>329,274</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	-	-	(39,495)	(39,495)	(106,400)
Connection fees received	383,100	225,522	-	608,622	-
Proceeds from sale of capital assets	-	-	-	-	23,293
Principal paid on loan payable	-	(176,642)	-	(176,642)	-
Interest paid on bonds payable	-	(54,600)	-	(54,600)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>383,100</u>	<u>(5,720)</u>	<u>(39,495)</u>	<u>337,885</u>	<u>(83,107)</u>
Cash Flows from Investing Activities					
Interest received on investments	<u>85,092</u>	<u>61,618</u>	<u>6,407</u>	<u>153,117</u>	<u>108,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	593,314	146,879	(44,877)	695,316	354,167
Cash and Cash Equivalents, January 1	<u>1,627,390</u>	<u>1,221,660</u>	<u>178,643</u>	<u>3,027,693</u>	<u>2,026,923</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,220,704</u>	<u>\$ 1,368,539</u>	<u>\$ 133,766</u>	<u>\$ 3,723,009</u>	<u>\$ 2,381,090</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities					
Operating loss	\$ (119,154)	\$ (179,172)	\$ (58,993)	\$ (357,319)	\$ 4,426
Adjustments to reconcile operating loss to net cash provided (used) operating activities					
Depreciation expense	256,699	279,416	32,261	568,376	275,574
Increase (decrease) in assets					
Accounts receivable	(4,524)	(1,753)	25,344	19,067	-
Special assessments receivable	(1,860)	(1,860)	-	(3,720)	-
Increase (decrease) in liabilities					
Accounts payable	(478)	(89)	1,613	1,046	-
Accrued salaries/compensated absences payable	-	-	1,906	1,906	49,274
Unearned revenue	(5,561)	(5,561)	(13,920)	(25,042)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 125,122</u>	<u>\$ 90,981</u>	<u>\$ (11,789)</u>	<u>\$ 204,314</u>	<u>\$ 329,274</u>

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

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City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of East Bethel, Minnesota (the City) was incorporated in 1958 and has operated under the State of Minnesota Statutory Plan A form of government since 1974. The governing body consists of a five-member City Council elected by voters of the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City's reporting entity, based upon the application of these criteria, are the following blended and discretely presented component units.

#### ***Housing and Redevelopment Authority***

*Blended component unit.* The HRA was created by the City to carry out certain redevelopment projects. The five-member Board of Directors is appointed by the City Council and currently is comprised of the members of the City Council. The City can significantly influence the programs and activities and the City has a financial benefit and burden related to the HRA. The HRA is accounted for using the modified accrual basis of accounting, and as such is reported as a special revenue fund. Separate financial statements for the HRA are not prepared.

#### ***Economic Development Authority***

*Discretely presented component unit.* The Economic Development Authority (EDA) serves all the citizens of the City and is governed by City appointed boards. The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member Board consists of two city council members and five appointed members. In accordance with GASB Statement No. 61, this entity is properly presented as a discretely presented component unit as a governmental activity. Separate financial statements are not issued.

### 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 primary government. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as 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*.

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.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**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 government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal 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.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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 government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Description of Funds***

The City reports the following major governmental funds

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Municipal State Aid Street Improvement fund* is an accumulation of grant funding from state sources.

The *Street Capital fund* is used to account for the costs associated with the street projects completed within the City.

The City reports the following major proprietary funds

The *Water Utility fund* accounts for water service activities to operate the water utility system.

The *Sewer Utility fund* accounts for sewer service activities to operate the sanitary sewer system.

The *Ice Arena fund* accounts for operations of the City's ice arena.

Additionally, the City reports the following fund type:

*Internal service funds* are used to account for the costs associated with employees' compensated absences and to account for the funding of major equipment necessary for City operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds 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 water, sewer, and arena enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation 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 an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance**

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, commercial paper, government securities and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

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 received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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. The City's recurring fair value measurements are listed in detail on page 53 and are valued using quoted market prices (Level 2 inputs).

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

- Negotiable certificates of deposits of \$204,660 are valued using quoted market prices (Level 2 inputs).

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

***Property Taxes***

The City Council annually adopts a tax levy and certifies it to the County in December for collection in 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 December each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Lease Receivable***

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***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.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, 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 the amounts defined below (amounts not rounded) and an estimated useful life in excess of one year. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives and are capitalized according to the following thresholds:

Asset Category	Value Threshold
All Assets not Referenced in this Schedule	\$ 5,000
Parking Lots, Sidewalks, Fencing, Park Shelters, Land Improvements	25,000
Buildings and Building Improvements	50,000
Infrastructure Improvements: Water, Sewer, Storm Drainage, Streets	100,000

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

Assets	Life in Years
Miscellaneous Office Equipment, Copiers, Computer Hardware, Light Trucks, Mowers, Attachments, Other Light Equipment	5
Loaders, Dump Trucks, Graders, Trailers, Other Heavy Equipment, Telephone And Radio Systems, Pumps, Generators	10
Fire Rigs, Playground Equipment, Irrigation Systems	20
Buildings, Park Shelters, Fences, Paved Streets, Sidewalks, Parking Lots, Signs	25
Water Trunks, Mains, Towers; Sewer Trunks, Mains, Lift Stations; Storm Drainage Trunks, Mains, Ponds	30

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At year-end, each employee's accrued obligation is expensed to their home department and revenue is recognized in the compensated absences internal service fund to fund the City's obligation. The compensated absences internal service fund is typically used to liquidate governmental compensated absences payable. It is assumed that these amounts will be payable only upon employees' severance from employment. Vacation and sick leave used during employees' tenure with the City is assumed to closely match the leave earned during that year. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. A liability is recognized in the internal service fund for that portion of accumulating sick leave benefits that is vested as severance pay.

**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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

**Pensions**

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by East Bethel Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

The total pension expense for the GERP, PEPFP and East Bethel Fire Relief Association is as follows:

	GERP	PEPFP	FRA	Total
City's proportionate share	\$ 1,749	\$ 59,719	\$ 90,071	\$ 151,539
Proportionate share of State's contribution	(321)	627	-	306
Total pension expense	<u>\$ 136,775</u>	<u>\$ 121,638</u>	<u>\$ 323,038</u>	<u>\$ 581,451</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from four sources: taxes, special assessments, leases, and intergovernmental aids. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

***Fund Balance Classifications***

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 contributions; 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. Pursuant to City Council Resolution, the City Administrator is to assign fund balance that reflects the City Council's intended use of those funds and approved by motion of the City Council.

*Unassigned* - is the residual classification for the General fund and also reflects negative residual amounts in other funds.

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

The City's policy is to maintain a minimum assigned fund balance of 40 percent of the next year's property tax levy for cash-flow timing needs.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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.

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Recycling fund and HRA fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. There were no budget amendments made during 2024.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2024, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special Revenue - Nonmajor Funds			
HRA Fund	\$ 31,000	\$ 31,760	\$ 760

These excess expenditures were funded by greater than anticipated revenues.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**Deficit Fund Balance**

For the year ended December 31, 2024, the following funds had deficit fund balances.

Fund	Amount
Major	
Municipal State Aid Street Improvement	\$ 773,564
Nonmajor Capital Project Funds	
181st Street Project	380,872

The deficit in the Municipal State Aidt Street Improvement fund and 181<sup>st</sup> Street Project fund will be eliminated with the recognition of future intergovernmental revenue.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

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 and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

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

At year end, the City's carrying amount of deposits was \$164,781 and the bank balance was \$436,181. Of the bank balance, \$250,000 was covered by federal depository insurance and remaining balance is covered by collateral held in the City's name.

**Investments**

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 6 months	\$14,076,278	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
Negotiable certificates of deposits	N/A	less than 6 months	204,660	-	204,660	-
Total Investments			<u>\$ 14,280,938</u>	<u>\$ -</u>	<u>\$ 204,660</u>	<u>\$ -</u>

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 46 of the notes.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a governmental will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City's investment policy limits its exposure by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City's investment policy states the City's investment portfolio, as much as possible, will contain both short-term and long-term investments. The City attempts to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 164,781
Investments	14,280,938
Cash on Hand	150
 Total	 \$ 14,445,869
 Primary Government	 \$ 14,354,208
Component Unit - EDA	91,661
 Total	 \$ 14,445,869

**B. Lease Receivable**

The City leases various antenna sites with various renewal and extension options. The latest maturity date is projected to be 2040.

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

Description	Issue Date	Maturity Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Antenna Lease Agreements					
Verizon	06/03/15	12/31/40	1.45 %	\$ 24,000	\$ 554,240
American Tower	10/28/13	10/28/38	1.55	47,019	734,944
Total Lease Receivable					\$ 1,289,184

The annual receipts to maturity for lease receivables are as follows:

Year Ending December 31,	Lease Receivables Governmental Activities		
	Principal	Interest	Total
2025	\$ 61,801	\$ 19,208	\$ 81,009
2026	65,038	18,258	83,296
2027	68,393	17,257	85,650
2028	71,870	16,206	88,076
2029	75,474	15,101	90,575
2030 - 2034	436,119	56,931	493,050
2035 - 2039	462,404	20,857	483,261
2040	48,085	702	48,787
 Total	 \$ 1,289,184	 \$ 164,520	 \$ 1,453,704

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

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

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 1,471,695	\$ -	\$ -	\$ 1,471,695
Construction in progress	2,022,670	1,441,016	(1,996,925)	1,466,761
<b>Total Capital Assets not being Depreciated</b>	<b>3,494,365</b>	<b>1,441,016</b>	<b>(1,996,925)</b>	<b>2,938,456</b>
Capital Assets being Depreciated				
Buildings and improvements	5,670,592	-	-	5,670,592
Park improvements	2,146,718	212,649	(24,571)	2,334,796
Machinery and equipment	5,643,698	120,841	(5,520)	5,759,019
Streets	67,788,065	1,996,925	-	69,784,990
Storm sewers	2,057,102	-	-	2,057,102
<b>Total Capital Assets being Depreciated</b>	<b>83,306,175</b>	<b>2,330,415</b>	<b>(30,091)</b>	<b>85,606,499</b>
Less Accumulated Depreciation for				
Buildings and improvements	(4,562,340)	(178,523)	-	(4,740,863)
Park improvements	(1,358,295)	(84,466)	24,571	(1,418,190)
Machinery and equipment	(4,003,357)	(312,798)	5,520	(4,310,635)
Streets	(47,446,624)	(1,914,200)	-	(49,360,824)
Storm sewers	(1,478,029)	(60,361)	-	(1,538,390)
<b>Total Accumulated Depreciation</b>	<b>(58,848,645)</b>	<b>(2,550,348)</b>	<b>30,091</b>	<b>(61,368,902)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>24,457,530</b>	<b>(219,933)</b>	<b>-</b>	<b>24,237,597</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 27,951,895</b>	<b>\$ 1,221,083</b>	<b>\$ (1,996,925)</b>	<b>\$ 27,176,053</b>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

Depreciation expense was charged to functions/programs of the governmental activities as follows:

**Governmental Activities**

General government	\$ 117,509
Public safety	119,273
Public works	1,946,701
Culture and recreation	91,291
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	<u>275,574</u>

Total Depreciation Expense - Governmental Activities \$ 2,550,348

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital Assets being Depreciated				
Buildings and improvements	1,541,440	39,495	-	1,580,935
Machinery and equipment	158,237	-	-	158,237
Infrastructure	<u>16,788,341</u>	<u>-</u>	<u>-</u>	<u>16,788,341</u>
Total Capital Assets being Depreciated	<u>18,488,018</u>	<u>39,495</u>	<u>-</u>	<u>18,527,513</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,413,358)	(17,408)	-	(1,430,766)
Machinery and equipment	(113,677)	(14,853)	-	(128,530)
Infrastructure	<u>(5,782,481)</u>	<u>(536,115)</u>	<u>-</u>	<u>(6,318,596)</u>
Total Accumulated Depreciation	<u>(7,309,516)</u>	<u>(568,376)</u>	<u>-</u>	<u>(7,877,892)</u>
Total Capital Assets being Depreciated, Net	<u>11,178,502</u>	<u>(528,881)</u>	<u>-</u>	<u>10,649,621</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,208,502</u>	<u>\$ (528,881)</u>	<u>\$ -</u>	<u>\$ 10,679,621</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

**Business-type Activities**

Water utility	\$ 256,699
Sewer utility	279,416
Ice Arena	<u>32,261</u>

Total Depreciation Expense - Business-type Activities \$ 568,376

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Interfund Transfers**

The composition of interfund transfers for the year ended December 31, 2024 is as follows:

Fund	Transfer in		Total
	Street Capital Fund	Nonmajor Governmental Funds	
Transfer Out			
General	\$ 550,000	\$ 150,000	\$ 700,000
Nonmajor governmental	160,662	-	160,662
	<u>\$ 710,662</u>	<u>\$ 150,000</u>	<u>\$ 860,662</u>
Total			

The City annually budgets transfers for specific purposes. Annual transfers included transfers made as part of capital improvement plans. Specific transfers in the current year included \$500,000, \$150,000, \$50,000 for building, street, and park capital costs, respectively. During the year there was also a single transfer from the Sandhill Parkway fund to the Street Capital fund for \$160,622 to close the Sandhill Parkway fund.

**E. General Long-term Debt**

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future tax levies and/or sewer and water access charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O Refunding Bond Series 2014A	\$ 5,485,000	3.00 - 4.00 %	3/4/2014	2/1/2040	\$ 4,260,000
G.O Refunding Bond Series 2015A	11,850,000	3.50 - 4.00	4/23/2015	2/1/2040	<u>10,550,000</u>
Total G.O. Revenue Bonds					<u>\$ 14,810,000</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

Annual requirements to maturity for the General Obligation revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 445,000	\$ 495,138	\$ 940,138
2026	510,000	478,725	988,725
2027	575,000	461,275	1,036,275
2028	650,000	442,900	1,092,900
2029	725,000	421,663	1,146,663
2030 - 2034	4,935,000	1,676,209	6,611,209
2035 - 2039	5,725,000	746,703	6,471,703
2040 - 2041	1,245,000	22,562	1,267,562
Total	<u>\$ 14,810,000</u>	<u>\$ 4,745,175</u>	<u>\$ 19,555,175</u>

Loan Payable

In 2015, the City entered into an agreement with Met Council for a reserve capacity loan related to sewer infrastructure constructed. The City has annual connection requirements and revenue in order to meet the required payments to Met Council. Any shortfalls on a yearly basis, will be added to the reserve capacity loan and capped at \$2,000,000. Once the balance reaches the \$2,000,000, the City will begin paying this amount back with interest over a period of 10 to 20 years at 2.73 percent. The balance at December 31, 2024 totaled \$1,823,358.

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 15,215,000	\$ -	\$ (405,000)	\$ 14,810,000	\$ 445,000
Compensated Absences *	166,741	49,274	-	216,015	157,932
Total Governmental Activity Long-term Debt	<u>\$ 15,381,741</u>	<u>\$ 49,274</u>	<u>\$ (405,000)</u>	<u>\$ 15,026,015</u>	<u>\$ 602,932</u>
<b>Business-type Activities</b>					
Loan payable	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ (176,642)</u>	<u>\$ 1,823,358</u>	<u>\$ 181,464</u>

Conduit Debt Obligations

The City has issued Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from private-sector entity revenues. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City or the State of Minnesota, or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2024 there was one revenue bond outstanding with Nexus Diversified Community Services with a principal amount of \$10,000,000.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2024, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General Fund	Debt Service	Municipal State Aid Street Improvement	Street Capital	Other Governmental Funds	Total
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Lease receivable	\$ 73,057	\$ -	\$ -	\$ -	\$ -	\$ 73,057
<b>Restricted</b>						
Debt service	\$ -	\$ 1,168,204	\$ -	\$ -	\$ -	\$ 1,168,204
Recycling	-	-	-	-	82,069	82,069
Housing and redevelopment authority	-	-	-	-	321,798	321,798
Economic development authority	-	-	-	-	103,887	103,887
Park development	-	-	-	-	190,815	190,815
<b>Total Restricted</b>	<u>\$ -</u>	<u>\$ 1,168,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,569</u>	<u>\$ 1,866,773</u>
<b>Committed</b>						
Street capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,024</u>	<u>\$ -</u>	<u>\$ 672,024</u>
<b>Assigned to</b>						
Park capital projects	\$ -	\$ -	\$ -	\$ -	\$ 59,998	\$ 59,998
Street capital projects	-	-	-	-	134,647	134,647
Other capital projects	-	-	-	-	522,512	522,512
<b>Total Assigned</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,157</u>	<u>\$ 717,157</u>
<b>Unassigned</b>	<u>\$ 5,167,554</u>	<u>\$ -</u>	<u>\$ (773,564)</u>	<u>\$ -</u>	<u>\$ (380,872)</u>	<u>\$ 4,013,118</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

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

General Employees Retirement Plan (General Plan)

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

Public Employees Police and Fire Plan (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 section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

**B. Benefits Provided**

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

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. 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.

**C. Contributions**

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$113,021, \$109,792 and \$109,944, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2024, 2023 and, 2022 were \$32,742, \$30,797 and \$15,972, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$645,631 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 \$16,695.

City's Proportionate Share of the Net Pension Liability	\$	645,631
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		16,695
Total		\$ 662,326

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0175 percent at the end of the measurement period and 0.0184 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$1,750 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$321 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$29,768 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 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	\$ 61,960	\$ -
Changes in Actuarial Assumptions	3,465	253,925
Net Difference Between Projected and Actual Investment Earnings	-	175,466
Changes in Proportion	-	42,011
Contributions Paid to PERA Subsequent to the Measurement Date	57,267	-
Total	\$ 122,692	\$ 471,402

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$57,267 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$	(235,001)
2026		(41,252)
2027		(80,240)
2028		(49,484)

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$169,467 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 0.0129 percent at the end of the measurement period and 0.0107 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$6,460.

City's Proportionate Share of the Net Pension Liability	\$	169,467
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		6,460
Total		\$ 175,927

For the year ended December 31, 2024, the City recognized pension expense of \$59,719 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$627 as pension expense (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 recognized \$1,159 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2024, the City reported 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	\$ 46,935	\$ -
Changes in Actuarial Assumptions	41,681	206,846
Net Difference Between Projected and Actual Investment Earnings	-	49,886
Changes in Proportion	177,345	-
Contributions Paid to PERA Subsequent to the Measurement Date	16,622	-
Total	\$ 282,583	\$ 256,732

The \$16,622 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:

2025	\$ 24,327
2026	24,327
2027	6,889
2028	(50,219)
2029	3,905

**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 Return on Investment
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 %	

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**F. Actuarial Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan were 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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
For the Year Ended December 31, 2024

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Police and Fire Fund

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90 percent 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 percent funded status for one year.
- The additional \$9 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 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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.

**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 one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 1,410,162	\$ 645,631	\$ 16,735
Police and Fire Fund	400,483	169,467	(20,246)

**I. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the East Bethel Department (the Department) are covered by a defined benefit plan administered by the East Bethel Fire Relief Association (the Association). As of December 31, 2024, the plan covered 36 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and 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 the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

**B. Benefits Provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50 to 100 percent of the pension amount.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed a minimum of 10 years of service. The plan assumed 50% of active members will retire when reaching retirement eligibility (later of age 50 and 20 years of service); then 50% retire each subsequent year until 100% retirement at the earlier of age 65 or 30 years of service.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$99,887 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City had no statutorily-required contribution to the plan for the year ended December 31, 2024. The City made a \$14,000 voluntary contribution to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 5: Defined Benefit Pension Plans - Fire Relief Association Continued)**

**D. Pension Costs**

At December 31, 2024, the City reported a net pension asset of \$53,268 for the plan. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2020. As of January 1, 2024, the fire pension plan has moved to the State of Minnesota's Statewide Volunteer Firefighter plan. The Relief Association elected to forgo an actuarial valuation for the year ended December 31, 2023. The following table presents the changes in net pension liability (asset) as of the last measurement date.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2022	\$ 2,109,789	\$ 2,942,742	\$ (832,953)
Changes for the Year			
Service cost	80,597	-	80,597
Interest on pension liability (asset)	106,499	-	106,499
Changes in benefit terms	243,468	-	243,468
Contributions (State)	-	97,697	(97,697)
Net investment income	-	(437,453)	437,453
Benefit payouts	(508,096)	(508,096)	-
Administrative costs	-	(9,365)	9,365
Total Net Changes	<u>(77,532)</u>	<u>(857,217)</u>	<u>779,685</u>
Ending Balance December 31, 2022	<u>\$ 2,032,257</u>	<u>\$ 2,085,525</u>	<u>\$ (53,268)</u>

For the year ended December 31, 2024, the City did not recognize any pension expense.

At December 31, 2024, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 93,315
Changes in Actuarial Assumptions	89,710	8,423
Net Difference Between Projected and Actual Earnings on Plan Investments	299,427	-
Contributions to Plan Subsequent to the Measurement Date	<u>104,071</u>	<u>-</u>
Total	<u>\$ 493,208</u>	<u>\$ 101,738</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

Deferred outflows of resources totaling \$104,071 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$	13,142
2026		58,103
2027		92,211
2028		121,020
2029		2,114
Thereafter		809

**E. Actuarial Assumptions**

The total pension liability at December 31, 2024 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Discount Rate		5.50%
Cost of Living Increases		2.25%
Investment Rate of Return		5.50%

In 2024, there were no changes to actuarial assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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	53.00 %	4.42 %
International Equity	17.00	4.91
Fixed Income	26.00	1.00
Real Estate and Alternatives	-	3.98
Cash and Equivalents	4.00	(0.33)
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the City’s net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.5%)	Current (5.5%)	1 Percent Increase (6.5%)
Defined Benefit Plan	\$ (6,755)	(\$53,268)	\$ (97,998)

**H. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. The report may be obtained by writing to the East Bethel Fire Relief Association, 2241 221<sup>st</sup> Ave NE, East Bethel, MN 55011.

**Note 6: Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City has no deductible. The City has selected the regular premium option for its coverage. Under this option, the City’s premium is calculated based on City payroll, by class. The premium is adjusted by an experience modification factor, which reflects the City’s previous loss experience. This option is a “fully insured” option; premium payments are the City’s only liability. Property, casualty, and automobile insurance coverage are also provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements. The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**B. Federal and State Funds**

The City receives financial assistance from county and state governmental agencies primarily in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2024.

**C. Tax Increment Districts**

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2024

**Note 7: Change in Accounting Principle**

During fiscal year 2024, changes to or within the financial reporting entity resulted in adjustments to and restatements of beginning net position and fund net position.

Change in Component Unit Presentation

The Economic Development Authority was previously reported as a blended component unit because it was previously providing services primarily to the City. However, the EDA now primarily services the citizens and not the City. Therefore, the EDA no longer meets the requirements for presentation as a blended component unit and is discretely presented for the fiscal year ended December 31, 2024.

Change in Accounting Principle

For fiscal year 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 enhances the financial statements by updating the recognition and measurement guidance for compensated absences. These changes were incorporated in the City's 2024 financial statements and had no effect on beginning net position.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

City of East Bethel, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2024

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0175 %	\$ 645,631	\$ 16,695	\$ 662,326	\$ 1,478,069	43.7 %	86.7 %
6/30/2023	0.0184	1,028,907	28,353	1,057,260	1,465,024	70.2	83.1
6/30/2022	0.0192	1,520,646	44,665	1,565,311	1,441,481	105.5	76.7
6/30/2021	0.0184	785,762	23,917	809,679	1,321,531	59.5	87.0
6/30/2020	0.0189	1,133,141	34,794	1,167,935	1,345,557	84.2	79.0
6/30/2019	0.0185	1,022,824	31,832	1,054,656	1,308,728	78.2	80.2
6/30/2018	0.0188	1,042,947	34,181	1,077,128	1,261,833	82.7	79.5
6/30/2017	0.0187	1,193,796	15,026	1,208,822	1,205,930	99.0	75.9
6/30/2016	0.0196	1,591,423	20,831	1,612,254	1,217,428	130.7	68.9
6/30/2015	0.0188	974,314	-	974,314	1,288,817	75.6	78.2

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 113,021	\$ 113,021	\$ -	\$ 1,506,946	7.50 %
12/31/2023	109,792	109,792	-	1,463,893	7.50
12/31/2022	109,944	109,944	-	1,465,923	7.50
12/31/2021	104,216	104,216	-	1,389,544	7.50
12/31/2020	99,650	99,650	-	1,328,666	7.50
12/31/2019	100,563	100,563	-	1,340,846	7.50
12/31/2018	95,295	95,295	-	1,270,596	7.50
12/31/2017	91,668	91,668	-	1,222,235	7.50
12/31/2016	90,070	90,070	-	1,200,932	7.50
12/31/2015	89,225	89,225	-	1,189,671	7.50

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - 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 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - 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 - There were no changes in plan provisions since the previous valuation.

2015 - 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.

City of East Bethel, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2024

**Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0129 %	\$ 169,467	\$ 6,460	\$ 175,927	\$ 178,371	95.0 %	87.0 %
6/30/2023	0.0107	184,775	7,422	192,197	140,426	131.6	86.5
6/30/2022	0.0042	182,767	8,014	190,781	50,677	360.7	70.5

**Schedule of Employer's PERA Contributions - Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 32,742	\$ 32,742	\$ -	\$ 184,983	17.70 %
12/31/2023	30,797	30,797	-	173,992	17.70
12/31/2022	15,972	15,972	-	90,238	17.70
12/31/2021	2,509	2,509	-	14,173	17.70

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Notes to the Required Supplementary Information - Police and Fire Fund**

Changes in Actuarial Assumptions

2024 - Changes in Plan Provisions The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90 percent 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 percent funded status for one year. The additional \$9 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 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

2024 - The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90 percent 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 percent 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 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

**City of East Bethel, Minnesota**  
**Required Supplementary Information (Continued)**  
**For the Year Ended December 31, 2024**

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2024 (Fire Relief Report Date 2022)**	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)*	2020 (Fire Relief Report Date 2020)	2019 (Fire Relief Report Date 2019)	2018 (Fire Relief Report Date 2018)	2017 (Fire Relief Report Date 2017)	2016 (Fire Relief Report Date 2016)	2015 (Fire Relief Report Date 2015)
<b>Total Pension Liability</b>										
Service cost	\$ 80,597	\$ 80,597	\$ 75,279	\$ 73,443	\$ 73,443	\$ 56,538	\$ 56,769	\$ 59,100	\$ 68,319	\$ 62,875
Interest on pension liability (asset)	106,499	106,499	116,286	105,863	105,863	103,017	94,644	94,271	84,026	81,913
Changes of benefit terms	243,468	243,468	147,940	-	-	-	-	37,036	9,614	-
Differences between expected and actual experience	-	-	(44,191)	-	-	(72,989)	-	(54,839)	-	-
Changes of assumptions	-	-	43,544	-	-	93,619	(7,477)	6,807	(29,843)	-
Changes of benefit terms	-	-	-	-	-	37,639	-	-	-	-
Benefit payments	(508,096)	(508,096)	(28,744)	-	-	(134,176)	(13,000)	(148,200)	(227,000)	-
<b>Net Change in Total Pension Liability</b>	<b>(77,532)</b>	<b>(77,532)</b>	<b>310,114</b>	<b>179,306</b>	<b>179,306</b>	<b>83,648</b>	<b>130,936</b>	<b>(5,825)</b>	<b>(94,884)</b>	<b>144,788</b>
<b>Total Pension Liability - January 1</b>	<b>2,109,789</b>	<b>2,109,789</b>	<b>1,799,675</b>	<b>1,620,369</b>	<b>1,620,369</b>	<b>1,536,721</b>	<b>1,405,785</b>	<b>1,411,610</b>	<b>1,506,494</b>	<b>1,361,706</b>
<b>Total Pension Liability - December 31 (a)</b>	<b>\$ 2,032,257</b>	<b>\$ 2,032,257</b>	<b>\$ 2,109,789</b>	<b>\$ 1,799,675</b>	<b>\$ 1,799,675</b>	<b>\$ 1,620,369</b>	<b>\$ 1,536,721</b>	<b>\$ 1,405,785</b>	<b>\$ 1,411,610</b>	<b>\$ 1,506,494</b>
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Nonemployer contributions	83,697	83,697	76,326	70,632	70,632	69,203	64,229	62,446	62,370	59,194
Projected investment return	(437,453)	(437,453)	282,876	291,124	291,124	348,776	(95,247)	247,596	119,082	(9,494)
Benefit payments	(508,096)	(508,096)	(28,744)	-	-	(134,176)	(13,000)	(148,200)	(227,000)	-
Administrative expenses	(9,365)	(9,365)	(7,400)	(8,378)	(8,378)	(6,908)	(8,170)	(7,075)	(8,800)	(4,575)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(857,217)</b>	<b>(857,217)</b>	<b>337,058</b>	<b>367,378</b>	<b>367,378</b>	<b>290,895</b>	<b>(38,188)</b>	<b>168,767</b>	<b>(40,348)</b>	<b>59,125</b>
<b>Plan Fiduciary Net Position - January 1</b>	<b>2,942,742</b>	<b>2,942,742</b>	<b>2,605,684</b>	<b>2,238,306</b>	<b>2,238,306</b>	<b>1,947,411</b>	<b>1,985,599</b>	<b>1,816,832</b>	<b>1,857,180</b>	<b>1,798,055</b>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<b>\$ 2,085,525</b>	<b>\$ 2,085,525</b>	<b>\$ 2,942,742</b>	<b>\$ 2,605,684</b>	<b>\$ 2,605,684</b>	<b>\$ 2,238,306</b>	<b>\$ 1,947,411</b>	<b>\$ 1,985,599</b>	<b>\$ 1,816,832</b>	<b>\$ 1,857,180</b>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<b>\$ (53,268)</b>	<b>\$ (53,268)</b>	<b>\$ (832,953)</b>	<b>\$ (806,009)</b>	<b>\$ (806,009)</b>	<b>\$ (617,937)</b>	<b>\$ (410,690)</b>	<b>\$ (579,814)</b>	<b>\$ (405,222)</b>	<b>\$ (350,686)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	102.62%	102.62%	139.48%	144.79%	144.79%	138.14%	126.73%	141.24%	128.71%	123.28%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* City elected the lookback method in reporting the fire relief pension in 2021 and going forward.  
\*\* Relief Association elected to forgo an actuarial valuation for fiscal year 2024.

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available*

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/24	\$ 99,887	\$ 113,887	\$ (14,000)
12/31/23	90,071	104,071	(14,000)
12/31/21	75,327	89,327	(14,000)
12/31/21	75,327	89,327	(14,000)
12/31/20	70,632	84,632	(14,000)
12/31/19	69,203	83,203	(14,000)
12/31/18	64,229	78,229	(14,000)
12/31/17	62,446	76,446	(14,000)
12/31/16	62,370	76,370	(14,000)
12/31/15	59,194	73,194	(14,000)

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available*

Changes in actuarial assumptions

2024 - There were no changes in plan provisions since the previous valuation.

2023 - There were no changes in plan provisions since the previous valuation.

2022 – The expected investment return and discount rate decreased from 6.25% to 5.5% to reflect updated capital market assumptions. The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Schedule of Employer's Fire Relief Association Contributions (Continued)**

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 3.0 percent 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 percent to 60 percent. 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 post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in plan provisions

2024 – There were no changes in plan provisions since the previous valuation.

2023 – There were no changes in plan provisions since the previous valuation.

2022 – There were no changes in plan provisions since the previous valuation.

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent 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 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, 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 East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2024

**Schedule of Employer's Fire Relief Association Contributions (Continued)**

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent 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 3.00 percent 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 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

City of East Bethel, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2024

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 371,915	\$ 631,296	\$ 1,003,211
Receivables			
Taxes	2,208	-	2,208
Due from other governments	32,105	-	32,105
Total Assets	\$ 406,228	\$ 631,296	\$ 1,037,524
<b>Liabilities</b>			
Accounts and contracts payable	\$ 1,281	\$ 309	\$ 1,590
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	1,080	-	1,080
<b>Fund Balances</b>			
Restricted	403,867	294,702	698,569
Assigned	-	717,157	717,157
Unassigned	-	(380,872)	(380,872)
Total Fund Balances	403,867	630,987	1,034,854
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 406,228	\$ 631,296	\$ 1,037,524

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

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 77,265	\$ 435,609	\$ 512,874
Intergovernmental	100,201	167,333	267,534
Charges for services	-	175,998	175,998
Interest on investments	13,828	53,790	67,618
Miscellaneous	3,446	17,939	21,385
Total Revenues	<u>194,740</u>	<u>850,669</u>	<u>1,045,409</u>
Expenditures			
Current			
General government	-	31,822	31,822
Public works	71,346	-	71,346
Housing and economic development	31,760	-	31,760
Capital outlay			
Public works	-	1,920	1,920
Culture and recreation	-	212,649	212,649
Housing and economic development	-	409,455	409,455
Total Expenditures	<u>103,106</u>	<u>655,846</u>	<u>758,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>91,634</u>	<u>194,823</u>	<u>286,457</u>
Other Financing Sources (Uses)			
Transfers in	-	150,000	150,000
Transfers out	-	(160,662)	(160,662)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(10,662)</u>	<u>(10,662)</u>
Net Changes in Fund Balances	<u>91,634</u>	<u>184,161</u>	<u>275,795</u>
Fund Balances, January 1, as Previously Reported	396,148	446,826	842,974
Change to Financial Reporting Entity (Note 7)	<u>(83,915)</u>	<u>-</u>	<u>(83,915)</u>
Fund Balances, January 1, as Adjusted	<u>312,233</u>	<u>446,826</u>	<u>759,059</u>
Fund Balance, December 31	<u>\$ 403,867</u>	<u>\$ 630,987</u>	<u>\$ 1,034,854</u>

City of East Bethel, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2024

	<b>226</b> Recycling	<b>230</b> HRA	Total
Assets			
Cash and investments	\$ 51,245	\$ 320,670	\$ 371,915
Receivables			
Taxes	-	2,208	2,208
Due from other governments	32,105	-	32,105
 Total Assets	 \$ 83,350	 \$ 322,878	 \$ 406,228
Liabilities			
Accounts payable	\$ 1,281	\$ -	\$ 1,281
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	1,080	1,080
Fund Balances			
Restricted	82,069	321,798	403,867
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 83,350	 \$ 322,878	 \$ 406,228

City of East Bethel, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues,  
 Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2024

	<b>226</b>	<b>230</b>	Formally Blended <b>232</b>	
	Recycling	HRA	EDA	Total
Revenues				
Taxes	\$ -	\$ 77,265	\$ -	\$ 77,265
Intergovernmental	74,734	25,467	-	100,201
Interest on investments	2,412	11,416	-	13,828
Miscellaneous	3,446	-	-	3,446
Total Revenues	<u>80,592</u>	<u>114,148</u>	<u>-</u>	<u>194,740</u>
Expenditures				
Current				
Public works	71,346	-	-	71,346
Housing and economic development	-	31,760	-	31,760
Total Expenditures	<u>71,346</u>	<u>31,760</u>	<u>-</u>	<u>103,106</u>
Net Change in Fund Balances	<u>9,246</u>	<u>82,388</u>	<u>-</u>	<u>91,634</u>
Fund Balances, January 1, as Previously Reported	72,823	239,410	83,915	396,148
Change to Financial Reporting Entity (Note 7)	<u>-</u>	<u>-</u>	<u>(83,915)</u>	<u>(83,915)</u>
Fund Balances, January 1, as Adjusted	<u>72,823</u>	<u>239,410</u>	<u>-</u>	<u>312,233</u>
Fund Balances, December 31	<u>\$ 82,069</u>	<u>\$ 321,798</u>	<u>\$ -</u>	<u>\$ 403,867</u>

City of East Bethel, Minnesota  
Special Revenue Fund - Recycling Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2024  
(With Comparative Totals for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ 66,100	\$ 66,100	\$ 74,734	\$ 8,634	\$ 67,703
Interest on investments	100	100	2,412	2,312	1,381
Miscellaneous	2,000	2,000	3,446	1,446	2,116
Total Revenues	<u>68,200</u>	<u>68,200</u>	<u>80,592</u>	<u>12,392</u>	<u>71,200</u>
Expenditures					
Current					
Public works	<u>68,200</u>	<u>68,200</u>	<u>71,346</u>	<u>(3,146)</u>	<u>44,655</u>
Net Change in Fund Balances	-	-	9,246	9,246	26,545
Fund Balances, January 1	<u>72,823</u>	<u>72,823</u>	<u>72,823</u>	-	<u>46,278</u>
Fund Balances, December 31	<u>\$ 72,823</u>	<u>\$ 72,823</u>	<u>\$ 82,069</u>	<u>\$ 9,246</u>	<u>\$ 72,823</u>

City of East Bethel, Minnesota  
 Special Revenue Fund - HRA Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 For the Year Ended December 31, 2024  
 (With Comparative Totals for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 77,000	\$ 77,000	\$ 77,265	\$ 265	\$ 76,324
Intergovernmental	-	-	25,467	25,467	-
Interest on investments	1,000	1,000	11,416	10,416	8,453
Total Revenues	<u>78,000</u>	<u>78,000</u>	<u>114,148</u>	<u>36,148</u>	<u>84,777</u>
Expenditures					
Current					
Housing and economic development	<u>31,000</u>	<u>31,000</u>	<u>31,760</u>	<u>(760)</u>	<u>30,900</u>
Net Change in Fund Balances	47,000	47,000	82,388	35,388	53,877
Fund Balances, January 1	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>	<u>-</u>	<u>185,533</u>
Fund Balances, December 31	<u>\$ 286,410</u>	<u>\$ 286,410</u>	<u>\$ 321,798</u>	<u>\$ 35,388</u>	<u>\$ 239,410</u>

City of East Bethel, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2024

	<b>403</b>	<b>405</b>	<b>404</b>	<b>411</b>
	<u>181st Street Project</u>	<u>Sandhill Parkway</u>	<u>Park Acquisition</u>	<u>Minard Street</u>
<b>Assets</b>				
Cash and investments	<u>\$ (380,872)</u>	<u>\$ -</u>	<u>\$ 190,815</u>	<u>\$ 134,647</u>
<b>Liabilities</b>				
Accounts and contracts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>				
Restricted	-	-	190,815	-
Assigned	-	-	-	134,647
Unassigned	(380,872)	-	-	-
<b>Total Fund Balances</b>	<u>(380,872)</u>	<u>-</u>	<u>190,815</u>	<u>134,647</u>
 <b>Total Liabilities and Fund Balance</b>	 <u>\$ (380,872)</u>	 <u>\$ -</u>	 <u>\$ 190,815</u>	 <u>\$ 134,647</u>

<b>407</b>	<b>401</b>	<b>436</b>	<b>437</b>	<b>438</b>	<b>439</b>	
Park Capital	Building	TIF No. 1-2	TIF No. 1-3	TIF No. 1-4	TIF No. 1-5	Total
\$ 59,998	\$ 522,512	\$ 57,931	\$ 20,438	\$ 24,933	\$ 894	\$ 631,296
\$ -	\$ -	\$ 78	\$ 78	\$ 78	\$ 75	\$ 309
-	-	57,853	20,360	24,855	819	294,702
59,998	522,512	-	-	-	-	717,157
-	-	-	-	-	-	(380,872)
<u>59,998</u>	<u>522,512</u>	<u>57,853</u>	<u>20,360</u>	<u>24,855</u>	<u>819</u>	<u>630,987</u>
<u>\$ 59,998</u>	<u>\$ 522,512</u>	<u>\$ 57,931</u>	<u>\$ 20,438</u>	<u>\$ 24,933</u>	<u>\$ 894</u>	<u>\$ 631,296</u>

City of East Bethel, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2024

	<b>403</b>	<b>405</b>	<b>404</b>	<b>411</b>
	181st Street Project	Sanhill Parkway	Park Acquisition	Minard Street
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	167,333	-	-
Charges for services	-	-	171,998	4,000
Interest on investments	-	5,782	5,156	6,228
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>173,115</u>	<u>177,154</u>	<u>10,228</u>
Expenditures				
Current				
General government	-	-	-	-
Capital outlay				
Public works	-	1,920	-	-
Culture and recreation	-	-	23,042	-
Housing and economic development	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,920</u>	<u>23,042</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>171,195</u>	<u>154,112</u>	<u>10,228</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(160,662)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(160,662)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	10,533	154,112	10,228
Fund Balances, January 1	<u>(380,872)</u>	<u>(10,533)</u>	<u>36,703</u>	<u>124,419</u>
Fund Balances, December 31	<u>\$ (380,872)</u>	<u>\$ -</u>	<u>\$ 190,815</u>	<u>\$ 134,647</u>

<b>407</b>	<b>401</b>	<b>436</b>	<b>437</b>	<b>438</b>	<b>439</b>	
Park Capital	Building	TIF No. 1-2	TIF No. 1-3	TIF No. 1-4	TIF No. 1-5	Total
\$ -	\$ -	\$ 182,611	\$ 102,663	\$ 98,310	\$ 52,025	\$ 435,609
-	-	-	-	-	-	167,333
-	-	-	-	-	-	175,998
7,826	25,019	2,167	692	917	3	53,790
-	-	-	-	-	17,939	17,939
<u>7,826</u>	<u>25,019</u>	<u>184,778</u>	<u>103,355</u>	<u>99,227</u>	<u>69,967</u>	<u>850,669</u>
-	31,822	-	-	-	-	31,822
-	-	-	-	-	-	1,920
189,607	-	-	-	-	-	212,649
-	-	170,043	95,935	92,268	51,209	409,455
<u>189,607</u>	<u>31,822</u>	<u>170,043</u>	<u>95,935</u>	<u>92,268</u>	<u>51,209</u>	<u>655,846</u>
<u>(181,781)</u>	<u>(6,803)</u>	<u>14,735</u>	<u>7,420</u>	<u>6,959</u>	<u>18,758</u>	<u>194,823</u>
100,000	50,000	-	-	-	-	150,000
-	-	-	-	-	-	(160,662)
<u>100,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,662)</u>
(81,781)	43,197	14,735	7,420	6,959	18,758	184,161
141,779	479,315	43,118	12,940	17,896	(17,939)	446,826
<u>\$ 59,998</u>	<u>\$ 522,512</u>	<u>\$ 57,853</u>	<u>\$ 20,360</u>	<u>\$ 24,855</u>	<u>\$ 819</u>	<u>\$ 630,987</u>

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City of East Bethel, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued on the Following Pages)  
For the Year Ended December 31, 2024  
(With Comparative Totals for the Year Ended December 31, 2023)

	2024			Variance with Final Budget	2023
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenue					
Taxes					
Property	\$ 5,275,100	\$ 5,275,100	\$ 5,323,812	\$ 48,712	\$ 5,098,160
Franchise	64,500	64,500	55,288	(9,212)	58,997
Gambling	-	-	-	-	7,110
Total taxes	<u>5,339,600</u>	<u>5,339,600</u>	<u>5,379,100</u>	<u>39,500</u>	<u>5,164,267</u>
Licenses and permits					
Business	36,400	36,400	41,438	5,038	39,313
Nonbusiness	256,000	256,000	367,833	111,833	289,844
Total licenses and permits	<u>292,400</u>	<u>292,400</u>	<u>409,271</u>	<u>116,871</u>	<u>329,157</u>
Intergovernmental					
State					
Public safety aid	-	-	-	-	515,978
Municipal state aid maintenance	214,000	214,000	230,716	16,716	213,810
Agricultural market value credit	5,000	5,000	8,636	3,636	5,715
Fire aid	89,500	89,500	119,922	30,422	132,887
Total intergovernmental	<u>308,500</u>	<u>308,500</u>	<u>359,274</u>	<u>50,774</u>	<u>868,390</u>
Charges for services	<u>473,700</u>	<u>473,700</u>	<u>613,289</u>	<u>139,589</u>	<u>546,372</u>
Fines and forfeitures	<u>25,000</u>	<u>25,000</u>	<u>26,614</u>	<u>1,614</u>	<u>21,391</u>
Interest on investments	<u>60,000</u>	<u>60,000</u>	<u>163,660</u>	<u>103,660</u>	<u>118,053</u>
Special Assessments	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>	<u>13,000</u>
Miscellaneous					
Refunds and reimbursements	<u>60,000</u>	<u>60,000</u>	<u>87,328</u>	<u>27,328</u>	<u>197,593</u>
Total Revenues	<u>6,571,700</u>	<u>6,571,700</u>	<u>7,051,036</u>	<u>479,336</u>	<u>7,258,223</u>
Expenditures					
Current					
General government					
Mayor and Council					
Personnel services	53,300	53,300	54,047	(747)	56,436
Other services and charges	28,900	28,900	13,164	15,736	26,939
Total Mayor and Council	<u>82,200</u>	<u>82,200</u>	<u>67,211</u>	<u>14,989</u>	<u>83,375</u>
Elections					
Supplies	-	-	268	(268)	-
Other services and charges	20,500	20,500	16,325	4,175	2,593
Total elections	<u>20,500</u>	<u>20,500</u>	<u>16,593</u>	<u>3,907</u>	<u>2,593</u>

City of East Bethel, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2024  
(With Comparative Totals for the Year Ended December 31, 2023)

	2024			Variance with Final Budget	2023
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personnel services	\$ 140,000	\$ 140,000	\$ 139,050	\$ 950	\$ 125,255
Supplies	100	100	1,688	(1,588)	-
Other services and charges	44,200	44,200	22,422	21,778	21,860
Total planning and zoning	<u>184,300</u>	<u>184,300</u>	<u>163,160</u>	<u>21,140</u>	<u>147,115</u>
Administration/support					
Personnel services	776,200	776,200	733,109	43,091	733,048
Supplies	1,900	1,900	4,916	(3,016)	2,388
Other services and charges	95,200	95,200	91,056	4,144	92,446
Total administration/support	<u>873,300</u>	<u>873,300</u>	<u>829,081</u>	<u>44,219</u>	<u>827,882</u>
General government buildings					
Supplies	3,000	3,000	5,350	(2,350)	4,258
Other services and charges	40,500	40,500	32,126	8,374	31,977
Total general government buildings	<u>43,500</u>	<u>43,500</u>	<u>37,476</u>	<u>6,024</u>	<u>36,235</u>
Miscellaneous					
Contractual services	277,500	277,500	244,624	32,876	251,606
Total general government	<u>1,481,300</u>	<u>1,481,300</u>	<u>1,358,145</u>	<u>123,155</u>	<u>1,348,806</u>
Public safety					
Fire protection					
Personnel services	732,500	732,500	649,276	83,224	598,413
Supplies	96,400	96,400	56,309	40,091	83,557
Other services and charges	281,800	281,800	298,048	(16,248)	261,923
Total fire protection	<u>1,110,700</u>	<u>1,110,700</u>	<u>1,003,633</u>	<u>107,067</u>	<u>943,893</u>
Police protection					
Other services and charges	1,400,000	1,400,000	1,398,453	1,547	1,223,474
Building inspection					
Personnel services	354,000	354,000	347,467	6,533	335,540
Supplies	8,600	8,600	7,074	1,526	6,353
Other services and charges	22,800	22,800	26,046	(3,246)	23,546
Total building inspection	<u>385,400</u>	<u>385,400</u>	<u>380,587</u>	<u>4,813</u>	<u>365,439</u>
Total public safety	<u>2,896,100</u>	<u>2,896,100</u>	<u>2,782,673</u>	<u>113,427</u>	<u>2,532,806</u>

City of East Bethel, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2024  
(With Comparative Totals for the Year Ended December 31, 2023)

	2024			Variance with Final Budget	2023
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
Street maintenance					
Personnel services	\$ 609,600	\$ 609,600	\$ 597,878	\$ 11,722	\$ 550,227
Supplies	211,400	211,400	170,096	41,304	245,884
Other services and charges	255,600	255,600	269,789	(14,189)	265,485
Total street maintenance	<u>1,076,600</u>	<u>1,076,600</u>	<u>1,037,763</u>	<u>38,837</u>	<u>1,061,596</u>
Culture and recreation					
Personnel services	433,900	433,900	434,421	(521)	412,423
Supplies	52,600	52,600	59,927	(7,327)	61,892
Other services and charges	47,700	47,700	41,254	6,446	38,530
Total culture and recreation	<u>534,200</u>	<u>534,200</u>	<u>535,602</u>	<u>(1,402)</u>	<u>512,845</u>
Miscellaneous					
Other services and charges	<u>108,500</u>	<u>108,500</u>	<u>112,536</u>	<u>(4,036)</u>	<u>108,417</u>
Total Expenditures	<u>6,096,700</u>	<u>6,096,700</u>	<u>5,826,719</u>	<u>269,981</u>	<u>5,564,470</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	475,000	475,000	1,224,317	749,317	1,693,753
Other Financing Sources (Uses)					
Transfers out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	-	<u>(650,000)</u>
Net Change in Fund Balances	(225,000)	(225,000)	524,317	749,317	1,043,753
Fund Balances, January 1	<u>4,716,294</u>	<u>4,716,294</u>	<u>4,716,294</u>	-	<u>3,672,541</u>
Fund Balances, December 31	<u>\$ 4,491,294</u>	<u>\$ 4,491,294</u>	<u>\$ 5,240,611</u>	<u>\$ 749,317</u>	<u>\$ 4,716,294</u>

City of East Bethel, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2024

	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A G.O. Refunding Bond	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 805,058	\$ 348,983	\$ 1,154,041
Receivables			
Taxes	17,732	9,652	27,384
Special assessments	<u>73,592</u>	<u>-</u>	<u>73,592</u>
<b>Total Assets</b>	<b><u>\$ 896,382</u></b>	<b><u>\$ 358,635</u></b>	<b><u>\$ 1,255,017</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	\$ 8,425	\$ 4,796	\$ 13,221
Unavailable revenue - special assessments	<u>73,592</u>	<u>-</u>	<u>73,592</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>82,017</u></b>	<b><u>4,796</u></b>	<b><u>86,813</u></b>
<b>Fund Balances</b>			
Restricted	<u>814,365</u>	<u>353,839</u>	<u>1,168,204</u>
<b>Total Deferred Inflows     of Resources and Fund Balances</b>	<b><u>\$ 896,382</u></b>	<b><u>\$ 358,635</u></b>	<b><u>\$ 1,255,017</u></b>

City of East Bethel, Minnesota  
Debt Service Funds  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2024

	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A G.O. Refunding Bond	Total
Revenues			
Property taxes	\$ 636,928	\$ 332,310	\$ 969,238
Special assessments	11,067	-	11,067
Interest on investments	19,841	7,104	26,945
Total Revenues	<u>667,836</u>	<u>339,414</u>	<u>1,007,250</u>
Expenditures			
Debt service			
Principal	205,000	200,000	405,000
Interest and other charges	356,850	158,825	515,675
Total Expenditures	<u>561,850</u>	<u>358,825</u>	<u>920,675</u>
Net Change in Fund Balances	105,986	(19,411)	86,575
Fund Balances, January 1	<u>708,379</u>	<u>373,250</u>	<u>1,081,629</u>
Fund Balances, December 31	<u>\$ 814,365</u>	<u>\$ 353,839</u>	<u>\$ 1,168,204</u>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Net Position  
December 31, 2024

	<b>702</b>	<b>701</b>	
	Compensated Absences	Equipment Replacement	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 246,209	\$ 2,134,881	\$ 2,381,090
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Machinery and equipment	-	4,888,665	4,888,665
Less accumulated depreciation	-	(3,591,009)	(3,591,009)
<b>Net Capital Assets</b>	-	1,297,656	1,297,656
<b>Total Assets</b>	<b>246,209</b>	<b>3,432,537</b>	<b>3,678,746</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Compensated absences payable - current portion	157,932	-	157,932
<b>Noncurrent Liabilities</b>			
Compensated absences payable - noncurrent portion	58,083	-	58,083
<b>Total Liabilities</b>	<b>216,015</b>	<b>-</b>	<b>216,015</b>
<b>Net Position</b>			
Investment in capital assets	-	1,297,656	1,297,656
Unrestricted	30,194	2,134,881	2,165,075
<b>Total Net Position</b>	<b>\$ 30,194</b>	<b>\$ 3,432,537</b>	<b>\$ 3,462,731</b>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Revenues, Expenses and  
Changes in Net Position  
For the Year Ended December 31, 2024

	<b>702</b>	<b>701</b>	<b>Total</b>
	<u>Compensated Absences</u>	<u>Equipment Replacement</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Services to departments	\$ 58,443	\$ 280,000	\$ 338,443
Operating Expenses			
Personnel services	58,443	-	58,443
Depreciation	-	275,574	275,574
Total Operating Expenses	<u>58,443</u>	<u>275,574</u>	<u>334,017</u>
Operating Income	<u>-</u>	<u>4,426</u>	<u>4,426</u>
Nonoperating Revenues			
Gain sale of capital assets	-	23,293	23,293
Interest on investments	9,169	98,831	108,000
Total Nonoperating Revenues	<u>9,169</u>	<u>122,124</u>	<u>131,293</u>
Change in Net Position	9,169	126,550	135,719
Net Position, January 1	<u>21,025</u>	<u>3,305,987</u>	<u>3,327,012</u>
Net Position, December 31	<u>\$ 30,194</u>	<u>\$ 3,432,537</u>	<u>\$ 3,462,731</u>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2024

	<b>702</b> Compensated Absences	<b>701</b> Equipment Replacement	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 58,443	\$ 280,000	\$ 338,443
Payments to employees	(9,169)	-	(9,169)
Net Cash Provided by Operating Activities	49,274	280,000	329,274
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(106,400)	(106,400)
Proceeds from sale of capital assets	-	23,293	23,293
Net Cash Used by Capital and Related Financing Activities	-	(83,107)	(83,107)
Cash Flows from Investing Activities			
Interest received on investments	9,169	98,831	108,000
Net Increase (Decrease) in Cash and Cash Equivalents	58,443	295,724	354,167
Cash and Cash Equivalents, January 1	187,766	1,839,157	2,026,923
Cash and Cash Equivalents, December 31	\$ 246,209	\$ 2,134,881	\$ 2,381,090
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating income	\$ -	\$ 4,426	\$ 4,426
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	-	275,574	275,574
Increase (decrease) in liabilities Compensated absences	49,274	-	49,274
Net Cash Provided by Operating Activities	\$ 49,274	\$ 280,000	\$ 329,274

City of East Bethel, Minnesota  
Economic Development Authority  
Balance Sheet  
For the Year Ended December 31, 2024

Assets	
Cash and Temporary Investments	\$ 91,661
Receivables	
Taxes	<u>4,588</u>
Total Assets	<u>\$ 96,249</u>
Deferred Inflows of Resources	
Unavailable revenue - property taxes	\$2,592
Fund Balances	
Committed	<u>93,657</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 96,249</u>
Amounts reported for governmental activities in the statement of net position are different because	
Fund Balances - governmental funds from above	\$ 93,657
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	<u>2,592</u>
Total Net Position - Governmental Activities	<u>\$ 96,249</u>

City of East Bethel, Minnesota  
Economic Development Authority  
Schedules of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2024

Revenues	
Taxes	\$ 136,514
Interest on investments	774
Total Revenues	<u>137,288</u>
Expenditures	
Current	
Housing and economic development	<u>127,546</u>
Net Change in Fund Balances/Net Position	<u>9,742</u>
Fund Balances/Net Position, January 1, as Previously Reported	-
Change to Financial Reporting Entity (Note 7)	<u>83,915</u>
Fund Balances/Net Position, January 1, as Adjusted	<u>83,915</u>
Fund Balances/Net Position, December 31	<u><u>\$ 93,657</u></u>
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balance to the Statements of Activities	
Amounts are reported for governmental activities in the statements of activities are different because	
Net Change in Fund Balance - Governmental Funds	\$ 9,742
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	<u>2,592</u>
Change in Net Position - Governmental Activities	<u><u>\$ 12,334</u></u>

City of East Bethel, Minnesota  
 Economic Development and Authority  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 For the Year Ended December 31, 2024  
 (With Comparative Totals for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 136,200	\$ 136,200	\$ 136,514	\$ 314	\$ 134,991
Interest on investments	1,000	1,000	774	(226)	719
Total Revenues	<u>137,200</u>	<u>137,200</u>	<u>137,288</u>	<u>88</u>	<u>135,710</u>
Expenditures					
Current					
Housing and economic development	<u>128,000</u>	<u>128,000</u>	<u>127,546</u>	<u>454</u>	<u>132,454</u>
Net Change in Fund Balances	9,200	9,200	9,742	542	3,256
Fund Balances, January 1	<u>83,915</u>	<u>83,915</u>	<u>83,915</u>	<u>-</u>	<u>80,659</u>
Fund Balances, December 31	<u><u>\$ 93,115</u></u>	<u><u>\$ 93,115</u></u>	<u><u>\$ 93,657</u></u>	<u><u>\$ 542</u></u>	<u><u>\$ 83,915</u></u>

City of East Bethel, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Year Ended December 31, 2024 and 2023

	Total		Percent Increase (Decrease)
	2024	2023	
<b>Revenues</b>			
Taxes	\$ 6,861,212	\$ 6,648,415	3.20 %
Licenses and permits	409,271	329,157	24.34
Intergovernmental	1,158,265	1,608,885	(28.01)
Charges for services	789,287	573,872	37.54
Fines and forfeitures	26,614	21,391	24.42
Special assessments	86,887	302,086	(71.24)
Interest on investments	306,889	260,341	17.88
Miscellaneous	108,713	202,909	(46.42)
	<u>\$ 9,747,138</u>	<u>\$ 9,947,056</u>	(2.01) %
Total Revenues	<u>\$ 9,747,138</u>	<u>\$ 9,947,056</u>	(2.01) %
Per Capita	<u>\$ 813</u>	<u>\$ 832</u>	(2.28) %
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 1,389,967	\$ 1,348,806	3.05 %
Public safety	2,782,673	2,532,806	9.87
Public works	1,109,109	1,106,297	0.25
Culture and recreation	535,602	512,845	4.44
Housing and economic development	31,760	163,354	(80.56)
Miscellaneous	112,536	108,417	3.80
<b>Capital outlay</b>			
Public works	1,442,936	1,583,806	(8.89)
Parks and recreation	212,649	107,185	98.39
Housing and economic development	409,455	621,932	(34.16)
<b>Debt service</b>			
Principal	405,000	350,000	15.71
Interest and other charges	515,675	526,125	(1.99)
	<u>\$ 8,947,362</u>	<u>\$ 8,961,573</u>	(0.16) %
Total Expenditures	<u>\$ 8,947,362</u>	<u>\$ 8,961,573</u>	(0.16) %
Per Capita	<u>\$ 746</u>	<u>\$ 749</u>	(0.40) %
<b>Total Long-term Indebtedness</b>	\$ 14,810,000	\$ 15,215,000	(2.66) %
Per Capita	1,235	1,272	(2.91)
<b>General Fund Balance - December 31</b>	\$ 5,240,611	\$ 4,716,294	11.12 %
Per Capita	437	394	10.91

The purpose of this report is to provide a summary of financial information concerning the City of East Bethel to interested citizens. The complete financial statements may be examined at City Hall, 2241 221st Avenue NE, East Bethel, MN 55011. Questions about this report should be directed to Mike Jeziorski, Finance Director at (763) 367-7852.

OTHER REQUIRED REPORTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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**INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council  
City of East Bethel, 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, the discrete component unit, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2025. In this report we qualified our opinion on the governmental activities opinion unit and issued an unmodified opinion on the remaining opinion units.

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



**Abdo**  
Minneapolis, Minnesota  
May 6, 2025

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

Honorable Mayor and City Council  
City of East Bethel, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2025. In this report we qualified our opinion on the governmental activities opinion unit and issued an unmodified opinion on the remaining opinion units.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

## Purpose of this Report

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



**Abdo**  
Minneapolis, Minnesota  
May 6, 2025

