

ANNUAL FINANCIAL REPORT

CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Claremont, Minnesota
 Annual Financial Report
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 For the Year Ended December 31, 2024

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INTRODUCTORY SECTION

CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Claremont, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2024

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tasha Dahl	Mayor	12/31/2024
Deborah Ellis	City Council	12/31/2024
Jacob Klejeski	City Council	12/31/2024
Krystal Sultze	City Council	12/31/2026
Ryan Hedberg (Appointed 3/11/2024)	City Council	12/31/2026
Hunter McGovern (Resigned 1/31/2024)	City Council	12/31/2026

Appointed

Elizabeth Sorg	Administrator/Clerk
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FINANCIAL SECTION
CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Claremont, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Claremont, 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows thereof the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2024, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City, as of December 31, 2024, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

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

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

Basis for Opinion on Regulatory Basis of Accounting

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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Claremont'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 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, 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.



Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial schedules are presented for purposes of addition analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial 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 annual report. The other information comprises the introductory section and unaudited Schedule of Accounts Receivable and Schedule of Accounts Payable 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 February 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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February 25, 2025



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FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Claremont, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2024

	General	Fire	Debt Service	Other Governmental Funds	Total
Assets					
Cash and temporary investments	\$ 579,051	\$ 141,326	\$ 580,488	\$ 27,110	\$ 1,327,975
Advances to other funds	338,537	-	-	-	338,537
Total Assets	<u>\$ 917,588</u>	<u>\$ 141,326</u>	<u>\$ 580,488</u>	<u>\$ 27,110</u>	<u>\$ 1,666,512</u>
Liabilities					
Advances from other funds	\$ -	\$ -	\$ 338,537	\$ -	\$ 338,537
Cash Fund Balances					
Nonspendable	338,537	-	-	-	338,537
Restricted	28,350	22,318	241,951	-	292,619
Committed	-	-	-	53,486	53,486
Assigned	343,437	119,008	-	-	462,445
Unassigned	207,264	-	-	(26,376)	180,888
Total Cash Fund Balances	<u>917,588</u>	<u>141,326</u>	<u>241,951</u>	<u>27,110</u>	<u>1,327,975</u>
Total Liabilities and Cash Fund Balances	<u>\$ 917,588</u>	<u>\$ 141,326</u>	<u>\$ 580,488</u>	<u>\$ 27,110</u>	<u>\$ 1,666,512</u>

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

City of Claremont, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General	Fire	Debt Service	Other Governmental Funds	Total
Receipts					
Taxes	\$ 312,881	\$ 52,270	\$ 107,262	\$ -	\$ 472,413
Special assessments	12,197	-	9,610	-	21,807
Licenses and permits	13,032	-	-	-	13,032
Intergovernmental	193,513	28,970	-	-	222,483
Charges for services	-	34,598	-	-	34,598
Fines and forfeits	717	-	-	-	717
Investment earnings	28,185	3,655	-	1,394	33,234
Miscellaneous	48,562	15,283	-	-	63,845
Total Receipts	<u>609,087</u>	<u>134,776</u>	<u>116,872</u>	<u>1,394</u>	<u>862,129</u>
Disbursements					
Current					
General government	172,762	-	-	-	172,762
Public safety	102,132	110,425	-	-	212,557
Streets and highways	132,013	-	-	-	132,013
Culture and recreation	27,727	-	-	-	27,727
Economic development	-	-	-	2,500	2,500
Capital outlay					
General government	3,697	-	-	-	3,697
Public safety	275	30,000	-	-	30,275
Streets and highways	23,762	-	-	26,376	50,138
Culture and recreation	60,022	-	-	-	60,022
Debt service					
Principal	-	-	113,000	-	113,000
Interest and other costs	-	-	14,498	-	14,498
Total Disbursements	<u>522,390</u>	<u>140,425</u>	<u>127,498</u>	<u>28,876</u>	<u>819,189</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	86,697	(5,649)	(10,626)	(27,482)	42,940
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	371	4,550	-	-	4,921
Net Change in Cash Fund Balances	87,068	(1,099)	(10,626)	(27,482)	47,861
Cash Fund Balances, January 1	830,520	142,425	252,577	54,592	1,280,114
Cash Fund Balances, December 31	<u>\$ 917,588</u>	<u>\$ 141,326</u>	<u>\$ 241,951</u>	<u>\$ 27,110</u>	<u>\$ 1,327,975</u>

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

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

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 139,315	\$ 133,163	\$ 272,478
Receivables			
Accounts receivable	17,289	14,173	31,462
Prepaid items	3,923	5,752	9,675
Total Current Assets	<u>160,527</u>	<u>153,088</u>	<u>313,615</u>
Noncurrent Assets			
Capital assets			
Building and improvements	2,690,784	2,809,614	5,500,398
Machinery and equipment	24,858	33,149	58,007
Less accumulated depreciation	<u>(1,382,040)</u>	<u>(1,225,310)</u>	<u>(2,607,350)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,333,602</u>	<u>1,617,453</u>	<u>2,951,055</u>
Total Assets	<u>1,494,129</u>	<u>1,770,541</u>	<u>3,264,670</u>
Liabilities			
Current Liabilities			
Accounts payable	745	543	1,288
Accrued interest payable	9,603	14,742	24,345
Bonds payable - current portion	71,000	71,000	142,000
Total Current Liabilities	<u>81,348</u>	<u>86,285</u>	<u>167,633</u>
Noncurrent Liabilities			
Bonds payable - long-term portion	<u>1,017,304</u>	<u>1,295,399</u>	<u>2,312,703</u>
Total Liabilities	<u>1,098,652</u>	<u>1,381,684</u>	<u>2,480,336</u>
Net Position			
Net investment in capital assets	245,298	251,054	496,352
Restricted			
Water infrastructure funds	1,509	-	1,509
Unrestricted	<u>148,670</u>	<u>137,803</u>	<u>286,473</u>
Total Net Position	<u>\$ 395,477</u>	<u>\$ 388,857</u>	<u>\$ 784,334</u>

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

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

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	Total
Operating Revenues			
Charges for services	\$ 177,291	\$ 153,204	\$ 330,495
Operating Expenses			
Supplies	8,495	4,849	13,344
Utilities	12,553	19,083	31,636
Other services and charges	88,913	108,537	197,450
Depreciation	66,954	76,664	143,618
Total Operating Expenses	176,915	209,133	386,048
Operating Income (Loss)	376	(55,929)	(55,553)
Nonoperating Revenues (Expenses)			
Investment earnings	3,064	3,549	6,613
Property taxes	65,354	97,869	163,223
Other receipts	1,695	1,013	2,708
Amortizations of bond discounts	(438)	(367)	(805)
Interest and other costs	(24,904)	(36,766)	(61,670)
Total Nonoperating Revenues (Expenses)	44,771	65,298	110,069
Income (Loss) Before Contributions	45,147	9,369	54,516
Capital Contributions			
Intergovernmental	12,089	-	12,089
Change in Net Position	57,236	9,369	66,605
Net Position , January 1	338,241	379,488	717,729
Net Position, December 31	\$ 395,477	\$ 388,857	\$ 784,334

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

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

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 178,196	\$ 153,755	\$ 331,951
Payments to suppliers and vendors	(110,578)	(133,300)	(243,878)
Other receipts	1,695	1,013	2,708
Net Cash Provided (Used) by Operating Activities	<u>69,313</u>	<u>21,468</u>	<u>90,781</u>
Cash Flows from Noncapital Financing Activities			
Property tax levies	<u>65,354</u>	<u>97,869</u>	<u>163,223</u>
Cash Flows from Capital and Related Financing Activities			
Intergovernmental	12,089	-	12,089
Acquisition of capital assets	(12,424)	(52,496)	(64,920)
Bond proceeds	3,022	-	3,022
Bond principal	(67,434)	(50,000)	(117,434)
Interest and other costs paid on long term debt	(25,271)	(37,190)	(62,461)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,018)</u>	<u>(139,686)</u>	<u>(229,704)</u>
Cash Flows from Investing Activities			
Interest received on cash and investments	<u>3,064</u>	<u>3,549</u>	<u>6,613</u>
Net Increase (Decrease) in Cash and Temporary Investments	47,713	(16,800)	30,913
Cash and Temporary Investments, January 1	<u>91,602</u>	<u>149,963</u>	<u>241,565</u>
Cash and Temporary Investments, December 31	<u>\$ 139,315</u>	<u>\$ 133,163</u>	<u>\$ 272,478</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 376	\$ (55,929)	\$ (55,553)
Adjustments to reconcile excess of operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	1,695	1,013	2,708
Depreciation	66,954	76,664	143,618
Changes in assets and liabilities			
(Increases) decreases in assets			
Accounts receivable	905	551	1,456
Prepaid items	(143)	(73)	(216)
Increases (decreases) in liabilities			
Accounts payable	(474)	(758)	(1,232)
Net Cash Provided (Used) by Operating Activities	<u>\$ 69,313</u>	<u>\$ 21,468</u>	<u>\$ 90,781</u>
Schedule of Noncash Capital and Related Financing Activities			
Amortization of bond premium (discount)	\$ (438)	\$ (367)	\$ (805)

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Claremont, Minnesota, (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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. The City has no component units that meet the GASB criteria.

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

The accompanying financial statements have been prepared on the regulatory basis of accounting as described in the *Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in Population* published in February 2016. Under that basis, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

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

Preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City has the following fund types:

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City'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 *Fire fund* accounts for the activity associated with the public safety operations and maintenance of the City's fire department. The fund's restricted revenue sources include property tax levy, payments from townships and state aid. The tax levy and township payments are restricted for public safety operations and maintenance by the levy and township agreements. The state aid is restricted for fire pension contributions. The Council has also committed fire call charges for public safety operations and maintenance by way of resolution. Other miscellaneous revenues and investment earnings are assigned for public safety and operations but may be used for other purposes at management's discretion.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation revenue bond principal and interest from governmental resources. The fund's restricted revenue sources include property tax levies, special assessments and tax increments as identified in the issue's documentation.

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and to insure that user charges are sufficient to pay for those costs.

The *Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and to insure that user charges are sufficient to pay for those costs.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of receipts, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements 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 from such investments are allocated on the basis of applicable participation by each of the funds.

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 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.

City of Claremont, 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.

Investment Policy

The City has adopted an investment policy with regard to investing the financial assets of all funds in depositories (savings; CDs; checking; money market) and securities. Funds of the City will be invested in accordance with this policy, Minnesota statutes, chapter 69.775 and written administrative procedures. The City's investment portfolio shall be managed in a manner to maximize interest income, to preserve principle, and maintain adequate liquidity to meet the City's needs for cash with prime concern for safety and liquidity.

Property Taxes

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

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

Special Assessments

Special assessments are recognized as revenue when they are certified in the enterprise funds. They are recorded upon receipt in the General fund.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in the General fund to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Under the regulatory basis, the City does not account for capital assets used in governmental fund types.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in enterprise funds. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the financial statements regardless of their amount.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and Land Improvements	\$	10,000
Other Improvements		25,000
Buildings and Improvements		25,000
Machinery and Equipment		5,000
Vehicles		5,000
Infrastructure		100,000
Other Assets		5,000

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

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

Assets	Years
Sewer mains; Lift Stations	50
Water mains	50
Street Lights	30
Wells and Pumphouses	25
Buildings	25
Water Meters	20
Office Equipment	10
Vehicles	5
Machinery, Equipment, Radio Phones	10

Long-term Obligations

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator/Clerk.

Unassigned - The residual classification for the General fund and also 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 has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and liabilities. 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 balances 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 balances 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.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for the General, Fire and Economic Development Authority special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Excess of Disbursements Over Appropriations

For the year ended December 31, 2024, disbursements exceed appropriations in the following funds:

Fund	Budget	Actual	Excess of Disbursements Over Appropriations
General	\$ 484,353	\$ 522,390	\$ 38,037
Special Revenue			
Fire	105,705	140,425	34,720

These excess disbursements over appropriations in the General and Fire funds were funded by revenues in excess of budget and available fund balance.

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

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 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 rate "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.

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, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$</u>	<u>736,709</u>
Bank balance	\$	775,808
Covered by FDIC		<u>(500,000)</u>
Collateralized with securities pledged in City's name	<u>\$</u>	<u>275,808</u>

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

Note 3: Detailed Notes on All Funds (Continued)

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 1 year	\$ 426,046			
Non-pooled Investments at Fair Value Negotiable Certificates of Deposit	N/A	less than 1 year	437,598	\$ -	\$ 437,598	\$ -
Total Investments			\$ 863,644	\$ -	\$ 437,598	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

- *Credit Risk.* 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 and the City's investment policy limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* The 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 limiting the maturity of its investment portfolio to less than five years.

The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$100.

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

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

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

Checking	\$	564,584
Savings		113,249
Certificates of Deposit		58,876
Total Carrying Amount of Deposits		736,709
Investments		863,644
Cash on Hand		100
Total Cash and Investments	\$	1,600,453
Cash and Temporary Investments		
Governmental	\$	1,327,975
Proprietary		272,478
Total Cash and Temporary Investments	\$	1,600,453

B. Interfund Receivables, Payables and Transfers

The City has approved an interfund loan up to the principal amount of \$425,000 with an interest rate of 3.0 percent per annum for tax increment qualified costs. As of December 31, 2024 the outstanding balance for the City follows:

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General fund	Debt service fund	3.00 %	04/12/11	12/31/34	\$ 338,537

City of Claremont, 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 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 5,447,902	\$ 52,496	\$ -	\$ 5,500,398
Machinery and equipment	58,007	-	-	58,007
Total Capital Assets Being Depreciated	<u>5,505,909</u>	<u>52,496</u>	<u>-</u>	<u>5,558,405</u>
Less Accumulated Depreciation for				
Buildings and improvements	(2,418,451)	(141,789)	-	(2,560,240)
Machinery and equipment	(45,281)	(1,829)	-	(47,110)
Total Accumulated Depreciation	<u>(2,463,732)</u>	<u>(143,618)</u>	<u>-</u>	<u>(2,607,350)</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,042,177</u>	<u>\$ (91,122)</u>	<u>\$ -</u>	<u>\$ 2,951,055</u>

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

Business-type Activities		
Water		\$ 66,954
Sewer		<u>76,664</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 143,618</u>

D. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds and equipment certificates to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

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

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Tax Increment Bonds

These bonds were issued for development and redevelopment projects. The additional tax revenue resulting from increased tax capacity of the redeveloped properties is used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2017 G.O. Tax Increment Bonds	\$ 586,000	2.00 %	09/12/17	02/01/27	<u>\$ 193,000</u>

The annual requirements to amortize general obligation tax increment bonds as of December 31, 2024 are as follows:

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 76,000	\$ 3,480	\$ 79,480
2026	78,000	1,950	79,950
2027	39,000	390	39,390
Total	<u>\$ 193,000</u>	<u>\$ 5,820</u>	<u>\$ 198,820</u>

General Obligation Revenue Bonds

General obligation revenue bonds were issued to finance improvements to the water and sewer system. They will be repaid with transfers from other funds and future utility charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
PFA Water Treatment Loan	\$ 137,893	1.00 %	07/28/10	08/20/39	\$ 76,000
G.O. Utility Revenue Refunding Bonds of 2019	2,370,000	2.00 - 3.15	11/04/19	02/01/42	1,965,000
G.O. Disposal System Note of 2021A	320,000	2.15	12/07/21	02/01/37	320,000
G.O. Water Revenue Note of 2023A	106,000	1.00	09/14/23	08/20/43	106,000
Total G.O. Revenue Bonds					<u>\$ 2,467,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Revenues	\$ 177,291	\$ 153,204
Principal and Interest	92,705	87,190
Percentage of Revenues	52.3%	56.9%

The annual requirements to amortize general obligation revenue bonds as of December 31, 2024 are as follows:

Year Ending December 31	G.O. Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2025	\$ 142,000	\$ 58,937	\$ 200,937
2026	147,000	56,114	203,114
2027	142,000	53,153	195,153
2028	148,000	50,038	198,038
2029	149,000	46,700	195,700
2030 - 2034	817,000	176,480	993,480
2035 - 2039	688,000	72,479	760,479
2040 - 2043	234,000	10,837	244,837
Total	\$ 2,467,000	\$ 524,738	\$ 2,991,738

Changes in General Long-term Liabilities

During the year ended December 31, 2024, the following changes occurred in liabilities reported in general long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Tax Increment Bonds	\$ 306,000	\$ -	\$ (113,000)	\$ 193,000	\$ 76,000
Business-type Activities					
Bonds Payable					
General Obligation Revenue Bonds	\$ 2,581,412	\$ 3,022	\$ (117,434)	\$ 2,467,000	\$ 142,000
Bond Discounts	(13,102)	-	(805)	(12,297)	-
Business-type Activity Long-term Liabilities	\$ 2,568,310	\$ 3,022	\$ (118,239)	\$ 2,454,703	\$ 142,000

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

Note 3: Detailed Notes on All Funds (Continued)

E. 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), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Fire	Debt Service	Other Governmental Funds	Total
Nonspendable					
Advances to other funds	\$ 338,537	\$ -	\$ -	\$ -	\$ 338,537
Restricted					
City signage	\$ 15,449	\$ -	\$ -	\$ -	\$ 15,449
Small cities street aid	12,901	-	-	-	12,901
Public safety aid	-	22,318	-	-	22,318
Debt service	-	-	241,951	-	241,951
Total Restricted	\$ 28,350	\$ 22,318	\$ 241,951	\$ -	\$ 292,619
Committed					
Economic development	\$ -	\$ -	\$ -	\$ 53,486	\$ 53,486
Assigned					
Capital outlay	\$ 343,437	\$ -	\$ -	\$ -	\$ 343,437
Fire safety operations	-	119,008	-	-	119,008
Total Assigned	\$ 343,437	\$ 119,008	\$ -	\$ -	\$ 462,445
Unassigned	\$ 207,264	\$ -	\$ -	\$ (26,376)	\$ 180,888

City of Claremont, Minnesota
Notes to the Financial Statements
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.

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.

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.

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

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

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 \$9,982, \$10,419 and \$10,419, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Note 5: 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 for which the City carries insurance. The City established a limited risk management program for workers' compensation and general liability and property damage.

The workers' compensation program activities are accounted for in the Workers' Compensation Insurance internal service fund. Premiums are paid into the fund by all other funds to pay claims and administrative cost of the program. The premiums are allocated based on the payroll costs by department. During the year, the City obtained insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2024 was \$180,612 which accounted for approximately 28.7 percent of the General fund receipts.

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

Note 5: Other Information (Continued)

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. The City currently has no general obligation debt outstanding subject to this limit.

D. 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 would have a material effect on the financial statements.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL SCHEDULES

CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Claremont, Minnesota
 Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)
 Budget and Actual
 General Fund
 For the Year Ended December 31, 2024
 (With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Cash Fund Balance January 1	\$ 830,520	\$ 830,520	\$ 830,520	\$ -	\$ 830,675
Receipts					
Taxes					
Property taxes	295,924	295,924	305,672	9,748	260,563
Excess tax increments	-	-	6,558	6,558	-
Cable franchise fees	2,000	2,000	651	(1,349)	1,751
Total Taxes	297,924	297,924	312,881	14,957	262,314
Special assessments	-	-	12,197	12,197	15,298
Licenses and permits	8,725	8,725	13,032	4,307	38,312
Intergovernmental					
State					
Local government aid	180,612	180,612	180,612	-	173,893
Property tax credits and aids	-	-	-	-	709
Other state aids	-	-	12,901	12,901	11,409
Total Intergovernmental	180,612	180,612	193,513	12,901	186,011
Fines and forfeits	200	200	717	517	183
Investment earnings	23,000	23,000	28,185	5,185	49,214
Miscellaneous					
Contributions and donations	400	400	42,444	42,044	74,900
Reimbursements and other	1,295	1,295	6,118	4,823	320
Total Miscellaneous	1,695	1,695	48,562	46,867	75,220
Total Receipts	512,156	512,156	609,087	96,931	626,552
Other Financing Sources					
Proceeds from sale of capital assets	-	-	371	371	1,018
Total Receipts and Other Financing Sources	512,156	512,156	609,458	97,302	627,570
Amounts Available for Appropriation	1,342,676	1,342,676	1,439,978	97,302	1,458,245

City of Claremont, Minnesota
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 Budget and Actual
 General Fund
 For the Year Ended December 31, 2024
 (With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements					
Current					
General government					
Mayor and Council					
Personal services	\$ 5,533	\$ 5,533	\$ 5,077	\$ 456	\$ 4,867
Other services and charges	550	550	-	550	350
Total Mayor and Council	<u>6,083</u>	<u>6,083</u>	<u>5,077</u>	<u>1,006</u>	<u>5,217</u>
City Administrator					
Personal services	<u>81,397</u>	<u>81,397</u>	<u>87,187</u>	<u>(5,790)</u>	<u>40,896</u>
Finance					
Personal services	<u>9,712</u>	<u>9,712</u>	<u>5,408</u>	<u>4,304</u>	<u>76,810</u>
Election					
Personal services	2,300	2,300	3,101	(801)	-
Supplies	400	400	475	(75)	-
Other services and charges	150	150	131	19	-
Total Election	<u>2,850</u>	<u>2,850</u>	<u>3,707</u>	<u>(857)</u>	<u>-</u>
Assessor					
Other services and charges	<u>3,306</u>	<u>3,306</u>	<u>3,300</u>	<u>6</u>	<u>3,210</u>
Other general government					
Personal services	-	-	-	-	3,883
Supplies	2,780	2,780	4,918	(2,138)	4,252
Other services and charges	53,725	53,725	63,165	(9,440)	62,074
Total Other General Government	<u>56,505</u>	<u>56,505</u>	<u>68,083</u>	<u>(11,578)</u>	<u>70,209</u>
Total General Government	<u>159,853</u>	<u>159,853</u>	<u>172,762</u>	<u>(12,909)</u>	<u>196,342</u>
Public safety					
Police protection					
Other services and charges	<u>75,190</u>	<u>75,190</u>	<u>75,192</u>	<u>(2)</u>	<u>73,000</u>
Ambulance					
Supplies	4,100	4,100	2,112	1,988	578
Other services and charges	7,245	7,245	3,196	4,049	6,440
Total Ambulance	<u>11,345</u>	<u>11,345</u>	<u>5,308</u>	<u>6,037</u>	<u>7,018</u>
Fire protection					
Personal services	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Building inspection					
Other services and charges	<u>7,800</u>	<u>7,800</u>	<u>18,132</u>	<u>(10,332)</u>	<u>21,952</u>
Total Public Safety	<u>97,835</u>	<u>97,835</u>	<u>102,132</u>	<u>(4,297)</u>	<u>105,470</u>

City of Claremont, Minnesota
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 Budget and Actual
 General Fund
 For the Year Ended December 31, 2024
 (With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024			Variance with Final Budget	2023
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Disbursements (Continued)					
Current (Continued)					
Streets and highways					
Street maintenance					
Personal services	\$ 58,836	\$ 58,836	\$ 63,002	\$ (4,166)	\$ 57,370
Supplies	19,700	19,700	21,685	(1,985)	22,506
Other services and charges	23,200	23,200	26,890	(3,690)	19,490
Total street maintenance	<u>101,736</u>	<u>101,736</u>	<u>111,577</u>	<u>(9,841)</u>	<u>99,366</u>
Storm sewer					
Supplies	11,000	11,000	7,807	3,193	2,554
Snow removal					
Other services and charges	1,000	1,000	444	556	779
Street lighting					
Other services and charges	13,000	13,000	12,185	815	11,341
Total Streets and Highways	<u>126,736</u>	<u>126,736</u>	<u>132,013</u>	<u>(5,277)</u>	<u>114,040</u>
Culture and recreation					
Parks and recreation					
Personal services	12,897	12,897	18,331	(5,434)	12,974
Supplies	6,900	6,900	7,142	(242)	6,128
Other services and charges	2,000	2,000	2,254	(254)	1,036
Total Culture and Recreation	<u>21,797</u>	<u>21,797</u>	<u>27,727</u>	<u>(5,930)</u>	<u>20,138</u>
Total Current	<u>406,221</u>	<u>406,221</u>	<u>434,634</u>	<u>(28,413)</u>	<u>435,990</u>
Capital outlay					
General government	2,432	2,432	3,697	(1,265)	2,649
Public safety	2,000	2,000	275	1,725	500
Streets and highways	44,000	44,000	23,762	20,238	85,382
Culture and recreation	29,700	29,700	60,022	(30,322)	103,204
Total Capital Outlay	<u>78,132</u>	<u>78,132</u>	<u>87,756</u>	<u>(9,624)</u>	<u>191,735</u>
Total Disbursements	<u>484,353</u>	<u>484,353</u>	<u>522,390</u>	<u>(38,037)</u>	<u>627,725</u>
Budgetary Cash Fund Balance					
December 31	<u>\$ 858,323</u>	<u>\$ 858,323</u>	<u>\$ 917,588</u>	<u>\$ 59,265</u>	<u>\$ 830,520</u>

City of Claremont, Minnesota
Special Revenue Fund
Budgetary Comparison Schedule - Regulatory Basis
Fire Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Budgetary Cash Fund Balance January 1	\$ 142,425	\$ 142,425	\$ 142,425	\$ -	\$ 119,271
Receipts					
Taxes					
Property taxes	52,270	52,270	52,270	-	39,420
Intergovernmental					
State					
Fire aid	14,000	14,000	20,466	6,466	15,548
Other	3,000	3,000	8,504	5,504	12,769
Total Intergovernmental	17,000	17,000	28,970	11,970	28,317
Charges for services					
Public safety	36,205	36,205	34,598	(1,607)	36,439
Investment earnings	230	230	3,655	3,425	346
Miscellaneous					
Contributions and donations	-	-	14,400	14,400	5,000
Reimbursements and other	-	-	883	883	1,385
Total Miscellaneous	-	-	15,283	15,283	6,385
Total Receipts	105,705	105,705	134,776	29,071	110,907
Other Financing Sources					
Proceeds from sale of capital assets	-	-	4,550	4,550	-
Total Receipts and Other Financing Sources	105,705	105,705	139,326	33,621	110,907
Amounts Available for Appropriation	248,130	248,130	281,751	33,621	230,178
Disbursements					
Current					
Public safety					
Fire protection					
Personal services	29,765	29,765	38,303	(8,538)	32,022
Supplies	28,150	28,150	36,341	(8,191)	17,549
Other services and charges	27,790	27,790	35,781	(7,991)	26,119
Total Current	85,705	85,705	110,425	(24,720)	75,690
Capital outlay					
Public safety	20,000	20,000	30,000	(10,000)	12,063
Total Disbursements	105,705	105,705	140,425	(34,720)	87,753
Budgetary Cash Fund Balance December 31	\$ 142,425	\$ 142,425	\$ 141,326	\$ (1,099)	\$ 142,425

City of Claremont, Minnesota
Special Revenue Fund
Budgetary Comparison Schedule - Regulatory Basis
Economic Development Authority Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024			Variance with Final Budget	2023
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Cash Fund Balance January 1	\$ 54,592	\$ 54,592	\$ 54,592	\$ -	\$ 56,776
Receipts					
Taxes					
Property taxes	-	-	-	-	7,148
Investment earnings	250	250	1,394	1,144	252
Total Receipts	<u>250</u>	<u>250</u>	<u>1,394</u>	<u>1,144</u>	<u>7,400</u>
Amounts Available for Appropriation	54,842	54,842	55,986	1,144	64,176
Disbursements					
Current					
Economic development					
Other services and charges	<u>8,085</u>	<u>8,085</u>	<u>2,500</u>	<u>5,585</u>	<u>9,584</u>
Budgetary Cash Fund Balance December 31	<u>\$ 46,757</u>	<u>\$ 46,757</u>	<u>\$ 53,486</u>	<u>\$ 6,729</u>	<u>\$ 54,592</u>

City of Claremont, Minnesota
Debt Service Funds
Combining Balance Sheet - Regulatory Basis
December 31, 2024

	331 2015 G.O. Tax <u>Increment Bonds</u>	371 2017 G.O. Tax <u>Increment Bonds</u>	<u>Total</u>
Assets			
Cash and temporary Investments	\$ 188,804	\$ 391,684	\$ 580,488
Liabilities			
Advances from other funds	\$ 338,537	\$ -	\$ 338,537
Cash Fund Balances			
Restricted	-	391,684	391,684
Unassigned	(149,733)	-	(149,733)
Total Cash Fund Balances	<u>(149,733)</u>	<u>391,684</u>	<u>241,951</u>
Total Liabilities and Cash Fund Balances	<u>\$ 188,804</u>	<u>\$ 391,684</u>	<u>\$ 580,488</u>

City of Claremont, Minnesota
Debt Service Funds
Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Fund Balances
For the Year Ended December 31, 2024

	331 2015 G.O. Tax <u>Increment Bonds</u>	371 2017 G.O. Tax <u>Increment Bonds</u>	<u>Total</u>
Receipts			
Taxes			
Tax increments	\$ 1,492	\$ 105,770	\$ 107,262
Investment earnings	-	9,610	9,610
Total Receipts	<u>1,492</u>	<u>115,380</u>	<u>116,872</u>
Disbursements			
Debt service			
Principal	39,000	74,000	113,000
Interest and other costs	9,461	5,037	14,498
Total Disbursements	<u>48,461</u>	<u>79,037</u>	<u>127,498</u>
Net Change in Cash Fund Balances	(46,969)	36,343	(10,626)
Cash Fund Balances, January 1	<u>(102,764)</u>	<u>355,341</u>	<u>252,577</u>
Cash Fund Balances, December 31	<u>\$ (149,733)</u>	<u>\$ 391,684</u>	<u>\$ 241,951</u>

City of Claremont, Minnesota
 Summary Financial Report
 Receipts and Disbursements For General Operations -
 Governmental Funds
 For the Years Ended December 31, 2024 and 2023

	Total 2024	Total 2023	Percent Increase (Decrease)
Receipts			
Taxes	\$ 472,413	\$ 455,608	3.69 %
Special assessments	21,807	15,298	42.55
Licenses and permits	13,032	38,312	(65.98)
Intergovernmental	222,483	214,328	3.80
Charges for services	34,598	36,439	(5.05)
Fines and forfeits	717	183	291.80
Investment earnings	33,234	49,812	(33.28)
Miscellaneous	63,845	81,605	(21.76)
Total Receipts	\$ 862,129	\$ 891,585	(3.30) %
Per Capita	1,717	1,735	(0.99)
Disbursements			
Current			
General government	\$ 172,762	\$ 196,342	(12.01) %
Public safety	212,557	181,160	17.33
Streets and highways	132,013	114,040	15.76
Culture and recreation	27,727	20,138	37.68
Economic development	2,500	9,584	(73.91)
Capital outlay			
General government	3,697	2,649	39.56
Public safety	30,275	12,563	140.99
Streets and highways	50,138	85,382	(41.28)
Culture and recreation	60,022	103,204	(41.84)
Debt service			
Principal	113,000	114,000	(0.88)
Interest and other costs	14,498	17,356	(16.47)
Total Disbursements	\$ 819,189	\$ 856,418	(4.35) %
Per Capita	1,632	1,666	(2.06)
Total Long-term Indebtedness	\$ 193,000	\$ 306,000	(36.93) %
Per Capita	384	595	(35.42)
General Cash Fund Balance - December 31	\$ 917,588	\$ 830,520	10.48 %
Per Capita	1,828	1,616	13.12

The purpose of this report is to provide a summary of financial information concerning the City of Claremont to interested citizens. The complete financial statements may be examined at City Hall, 140 Front Street, Claremont, Minnesota, 55924. Questions about this report should be directed to Elizabeth Sorg, Administrator/Clerk at (507) 528-2137.

SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF CLAREMONT
CLAREMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Claremont, Minnesota
Schedule of Accounts Receivable - Unaudited
December 31, 2024

Fund	From	Source of Revenue and Purpose	Amount
General	Dodge County	County tax settlement/levy	\$ 2,990
	Midco	December franchise fees	49
	Rental property owners	Rental certificates	15
	Total General		<u>3,054</u>
Water	Various customers	Utility billings	15,079
	Various customers	Delinquent utilities	2,210
	Total Water		<u>17,289</u>
Sewer	Various customers	Utility billings	11,963
	Various customers	Delinquent utilities	2,210
	Total Sewer		<u>14,173</u>
	Total Accounts Receivable		<u><u>\$ 34,516</u></u>

City of Claremont, Minnesota
Schedule of Accounts Payable - Unaudited
December 31, 2024

Fund	Vendor Name	Item and Purpose	Amount
General	BHE	Electricity	\$ 640
	Abdo	Payroll	450
	Bolton & Menk	Al-Corn driveway meeting	360
	Bolton & Menk	Inspections	1,526
	CHS	Fuel	86
	Inspectron	4th quarter surcharge report	300
	E.O.Johnson	Copier lease	140
	E.O.Johnson	Copies	46
	Metronet	Phone, internet	136
	MN Energy Resources	Gas utilities	621
	Skjeveland Enterprises	Garbage disposal	28
	Smith, Tollefson, Rahrick and Cass	Legal services	2,865
	Stevens Supply Co	Wrench set	106
	Township of Claremont	Spreading road rock and grading	810
	Total General		<u>8,114</u>
	Fire	BHE	Electricity
Metronet		Internet	65
MN Energy Resources		Gas utilities	753
Total Fire			<u>954</u>
Water	BHE	Electricity	359
	Gopher State One-Call	Locates	6
	Metronet	Phone, internet	100
	MN Energy Resources	Gas utilities	280
	Total Water		<u>745</u>
Sewer	BHE	Electricity	502
	Gopher State One-Call	Locates	6
	Metronet	Phone, internet	35
	Total Sewer		<u>543</u>
Total Accounts Payable			<u>\$ 10,355</u>

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OTHER REQUIRED REPORTS

CITY OF CLAREMONT
CLAREMONT, 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 Claremont, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Claremont, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report dated February 25, 2025. In our report, our opinion was adverse because the City prepared its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Claremont 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, except as described in the Schedule of Findings and Responses as item 2024-004. 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 City's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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
Mankato, Minnesota
February 25, 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 Claremont, 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 each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Claremont, 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 February 25, 2025.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-003 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2024-001 and 2024-002 to be significant deficiencies.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2024-004.

The City's Responses to Findings

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

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

Abdo
Mankato, Minnesota
February 25, 2025



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City of Claremont, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over cash disbursements, cash receipts and utility billing and found the City to have limited segregation of duties in these areas.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Cash Disbursements

<i>Cause:</i>	As a result of the small number of staff, Administrator/Clerk has nearly a complete responsibility over all areas of custody of assets, recording and reconciling activity. While there is review of transactions by the City Administrator, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential could go undetected.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) administration's knowledge of the City's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the City continue to evaluate its controls and make any changes considered necessary. It is the responsibility of administration and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to one person. The Council has addressed this circumstance by having active participation in the City's affairs.

Updated Progress from Prior Year:

The City will continue to review and improve procedures in an attempt to remedy this finding.

City of Claremont, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Segregation of Duties (Continued)
<u>Internal Control Over Cash Receipts</u>	
<i>Cause:</i>	As a result of the small number of staff, Administrator/Clerk has nearly a complete responsibility over all areas of custody of assets, recording and reconciling activity. While there is review of transactions by the City Administrator, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential could go undetected.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) administration's knowledge of the City's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the City continue to evaluate its controls and make any changes considered necessary. It is the responsibility of administration and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to one person. The Council has addressed this circumstance by having active participation in the City's affairs.

Updated Progress from Prior Year:

The City will continue to review and improve procedures in an attempt to remedy this finding.

Internal Control Over Utility Billing

<i>Cause:</i>	As a result of the small number of staff, Administrator/Clerk has nearly a complete responsibility over all areas of custody of assets, recording and reconciling activity. While there is review of transactions by the City Administrator, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential could go undetected.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) administration's knowledge of the City's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the City continue to evaluate its controls and make any changes considered necessary. It is the responsibility of administration and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to one person. The Council has addressed this circumstance by having active participation in the City's affairs.

Updated Progress from Prior Year:

The City will continue to review and improve procedures in an attempt to remedy this finding

City of Claremont, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

Finding

Description

2024-001

Segregation of Duties (Continued)

Internal Control Over Information Technology Systems

Cause:

As a result of the small number of staff, the Administrator/Clerk has nearly complete access to controls within the IT systems. Controls were found to be inadequate which heightens the risk of unauthorized access to financial data and increases the potential for fraudulent activities.

Recommendation:

Under these circumstances the most effective controls lie in 1) administration's knowledge of the City's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the City implement a robust segregation of duties framework to ensure that critical IT processes are adequately segregated among different individuals.

Management Response:

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited to one person. The Council has addressed this circumstance by having active participation in the City's affairs.

City of Claremont, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-002	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with cities of your size.
<i>Effect:</i>	<p>It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken provide you with the completed financial statements.</p> <p>The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors.</p>
<i>Recommendation:</i>	<p>Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. Regarding the specific situations listed above, we would offer the following specific recommendation:</p> <ul style="list-style-type: none">• Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers.• Agree your Banyon receipt and disbursement information to the numbers reported in the financial statements plus any applicable accruals.• It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	For now, the City accepts the degree of risk associated with this condition, but is prepared to engage the services of a qualified party in the future if its own staff needs outside help in this matter.
<i>Updated Progress from Prior Year:</i>	The City Administrator will complete a detailed review of the annual audit report.

City of Claremont, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-003	Material Audit Adjustments
<i>Condition:</i>	During our audit, material adjustments were needed to adjust interbank activity.
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff did not prepare a year end trial balance reflecting all necessary accounting entries in the areas noted above.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Administrator/Clerk will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.
2024-004	Responsible Contractor
<i>Condition:</i>	Auditing for legal compliance requires a review of the City's contracting and bidding. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute section 16C.285 Subd requires contractors doing public work to verify the minimum criteria for a "responsible contractor" as set forth in the statute if the contract exceeds \$50,000.
<i>Cause:</i>	We noted one contract where the City was not able to provide evidence that appropriate documentation was received.
<i>Effect:</i>	The City is in violation of this statute.
<i>Recommendation:</i>	We recommend the City review the statute and obtain such documentation on future contracts.
<i>Management Response:</i>	The City will ensure contractor's doing work for the City with contracts over \$50,000 include all necessary documentation to ensure compliance in 2025.

