

# **ANNUAL FINANCIAL REPORT**

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Hamburg, Minnesota  
Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2024

	<u>Page No.</u>
<b>Introductory Section</b>	
Elected and Appointed Officials	7
<b>Financial Section</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	38
Proprietary Funds	
Statement of Net Position	39
Statement of Revenues, Expenses and Changes in Net Position	41
Statement of Cash Flows	42
Notes to the Financial Statements	45
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	70
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	70
Notes to the Required Supplementary Information - General Employees Retirement Fund	71
Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios	73
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	78
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	82
<b>Other Required Reports</b>	
Independent Auditor's Report on Minnesota Legal Compliance	85
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 <i>Government Auditing Standards</i>	86
Schedule of Findings and Responses	88

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Lund	Mayor	12/31/26
Tim Tracy	Council Member/Vice Mayor	12/31/24
Mitch Polzin	Council Member	12/31/26
Eric Poppler	Council Member	12/31/26
Jessica Weber	Council Member	12/31/24

**APPOINTED**

<u>Name</u>	<u>Title</u>
Jeremy Gruenhagen	Clerk/Treasurer

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FINANCIAL SECTION

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Hamburg, Minnesota

### Report on the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

#### Management's Responsibility for the Financial Statements

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

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

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

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

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

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

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

### ***Change in Accounting Principle***

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in the Fire Relief Association's Net Pension (Asset) and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Information

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2025, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hamburg'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.



**Abdo**  
Minneapolis, Minnesota  
May 12, 2025



THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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

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

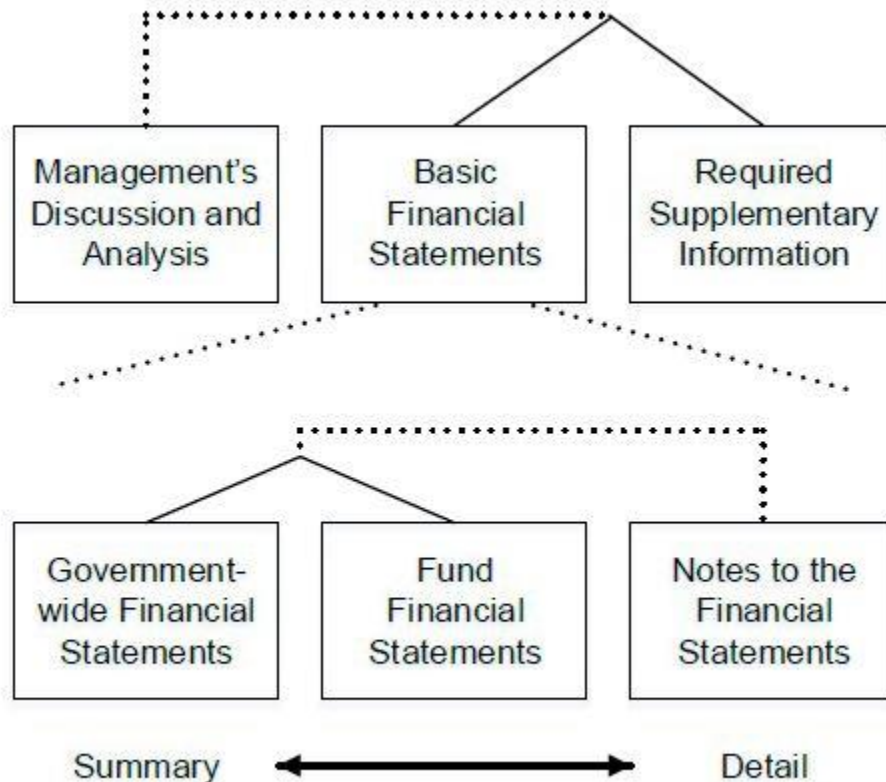
### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase was a result of increase in operating and capital grants and contributions, and charges for services in the business-type activities continuing to outweigh expenses.
- As of the close of the current fiscal year, the City's governmental funds reported a decrease in the combined ending fund balances in comparison with the prior year. Assigned and unassigned fund balance is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund increased in comparison to the prior year.
- The City's total long-term debt decreased during the current fiscal year. This is primarily due to scheduled debt payments.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another.

### Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Major Features of the Government-wide and Fund Financial Statements

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

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements start on page 29 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Capital Purchases funds, both of which are considered to be major funds. Data from the other governmental funds are identified as nonmajor and presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

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

The basic governmental fund financial statements start on page 34 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 39 of this report.

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

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hamburg's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

## Government-wide Financial Analysis

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

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

### City of Hamburg's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 946,810	\$ 1,204,777	\$ (257,967)	\$ 484,142	\$ 551,856	\$ (67,714)
Capital assets (net of depreciation)	1,618,866	1,306,008	312,858	2,522,642	2,486,792	35,850
Total Assets	<u>2,565,676</u>	<u>2,510,785</u>	<u>54,891</u>	<u>3,006,784</u>	<u>3,038,648</u>	<u>(31,864)</u>
Deferred Outflows of Resources	<u>120,884</u>	<u>138,494</u>	<u>(17,610)</u>	<u>8,057</u>	<u>10,884</u>	<u>(2,827)</u>
<b>Liabilities</b>						
Noncurrent liabilities outstanding	67,334	81,265	(13,931)	1,797,877	1,988,196	(190,319)
Current and other liabilities	22,943	71,106	(48,163)	13,459	20,722	(7,263)
Total Liabilities	<u>90,277</u>	<u>152,371</u>	<u>(62,094)</u>	<u>1,811,336</u>	<u>2,008,918</u>	<u>(197,582)</u>
Deferred Inflows of Resources	<u>118,137</u>	<u>49,090</u>	<u>69,047</u>	<u>45,144</u>	<u>44,503</u>	<u>641</u>
<b>Net Position</b>						
Net investment in capital assets	1,618,866	1,306,008	312,858	755,553	532,703	222,850
Restricted for fire pension	109,381	48,416	60,965	-	-	-
Restricted for public safety	-	24,812	(24,812)	-	-	-
Unrestricted	<u>749,899</u>	<u>1,068,582</u>	<u>(318,683)</u>	<u>402,808</u>	<u>463,408</u>	<u>(60,600)</u>
Total Net Position	<u>\$ 2,478,146</u>	<u>\$ 2,447,818</u>	<u>\$ 30,328</u>	<u>\$ 1,158,361</u>	<u>\$ 996,111</u>	<u>\$ 162,250</u>
<b>Net Position as a Percent of Total</b>						
Net Investment in Capital Assets	65.3 %	53.4 %		65.2 %	53.5 %	
Restricted	4.4	2.0		-	-	
Unrestricted	<u>30.3</u>	<u>44.6</u>		<u>34.8</u>	<u>46.5</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

The City's remaining fund balance is represented as *unrestricted net position*, which may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Statement of Activities.** Governmental activities increased the City's net position and business-type activities decreased the City's net position for an overall increase in net position as significant changes from the prior year are noted below:

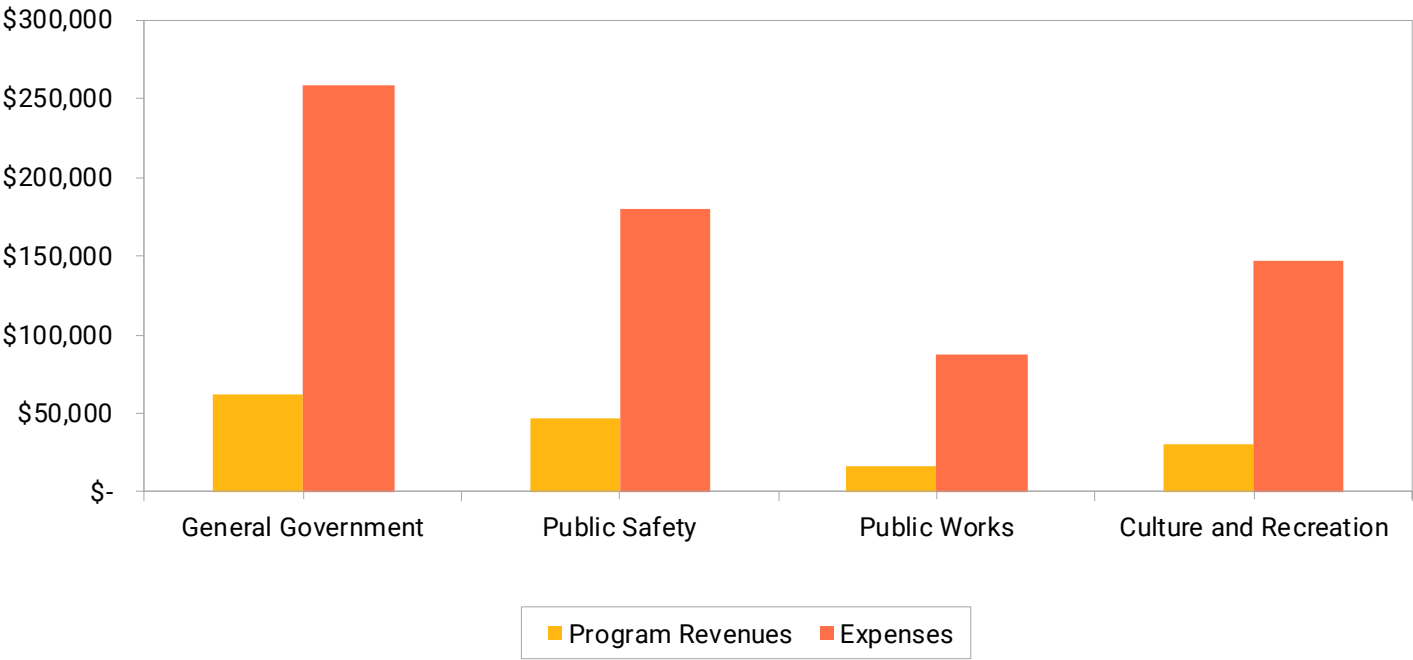
### City of Hamburg's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 62,082	\$ 52,691	\$ 9,391	\$ 342,905	\$ 329,442	\$ 13,463
Operating grants and contributions	80,579	40,455	40,124	-	-	-
Capital grants and contributions	13,090	22,722	(9,632)	1,068	1,193	(125)
General revenues						
Property taxes						
Levied for general purposes	575,104	534,610	40,494	-	-	-
Levied for debt service	-	29,792	(29,792)	-	-	-
Franchise fees	1,227	1,815	(588)	-	-	-
Grants and contributions not restricted to specific programs	112,801	98,114	14,687	-	-	-
Unrestricted investment earnings	11,767	11,576	191	-	-	-
Gain on sale of capital assets	1,250	7,502	(6,252)	-	-	-
<b>Total Revenues</b>	<b>857,900</b>	<b>799,277</b>	<b>58,623</b>	<b>343,973</b>	<b>330,635</b>	<b>13,338</b>
<b>Expenses</b>						
General government	258,464	244,243	14,221	-	-	-
Public safety	179,386	156,002	23,384	-	-	-
Public works	87,343	78,773	8,570	-	-	-
Culture and recreation	146,669	153,240	(6,571)	-	-	-
Interest on long-term debt	-	1,196	(1,196)	-	-	-
Water	-	-	-	208,959	308,344	(99,385)
Sewer	-	-	-	93,630	83,123	10,507
Storm water	-	-	-	34,844	44,790	(9,946)
<b>Total Expenses</b>	<b>671,862</b>	<b>633,454</b>	<b>38,408</b>	<b>337,433</b>	<b>436,257</b>	<b>(98,824)</b>
Change in Net Position Before Transfers	186,038	165,823	20,215	6,540	(105,622)	112,162
Transfers	(96,000)	(93,520)	(2,480)	96,000	93,520	2,480
<b>Change in Net Position</b>	<b>30,328</b>	<b>72,303</b>	<b>(41,975)</b>	<b>162,250</b>	<b>(12,102)</b>	<b>174,352</b>
Net Position, January 1	2,447,818	2,375,515	72,303	996,111	1,008,213	(12,102)
<b>Net Position, December 31</b>	<b>\$ 2,478,146</b>	<b>\$ 2,447,818</b>	<b>\$ 30,328</b>	<b>\$ 1,158,361</b>	<b>\$ 996,111</b>	<b>\$ 162,250</b>

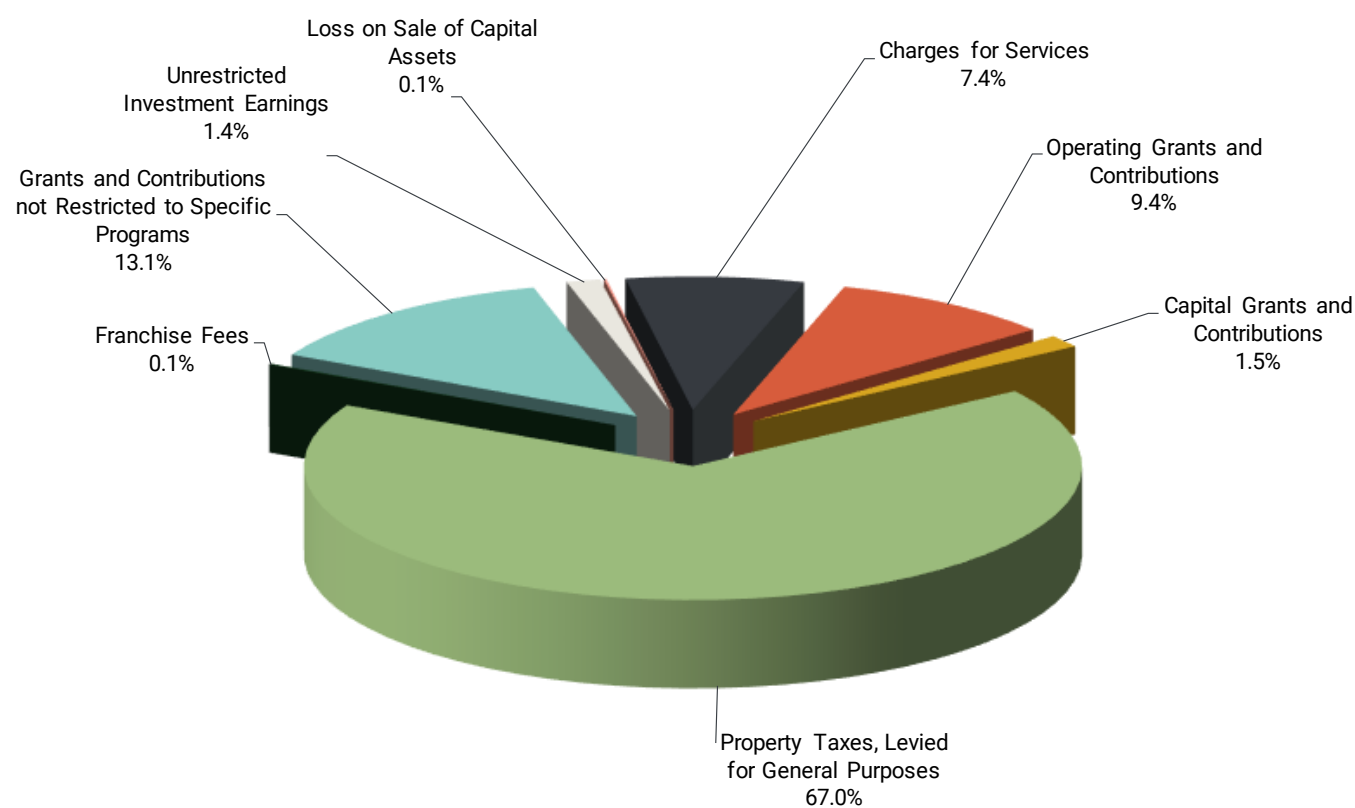
The increases in general government and public works expenses relate to the pension plan liability adjustments.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



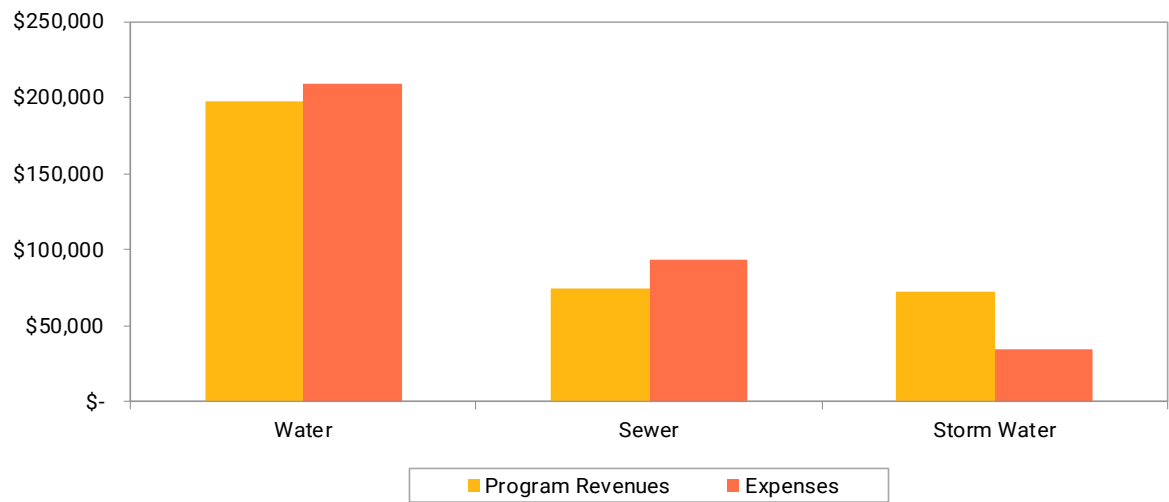
Revenues by Source - Governmental Activities



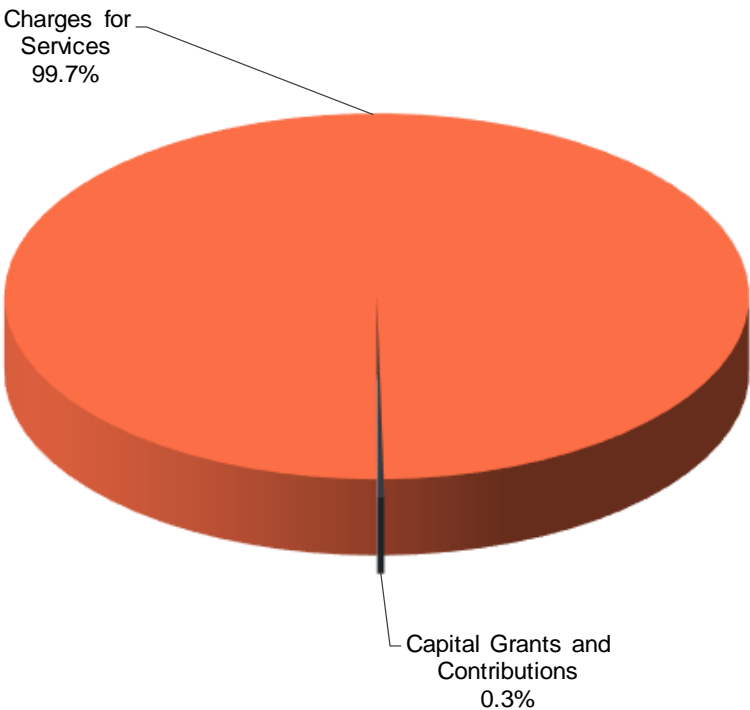
**Business-type Activities.** Business-type activities decreased the City’s net position. Key elements of this increase are as follows:

- The increase in water, sewer, and storm water expenses relates to increases in maintenance and repairs expenses.

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



**Revenues by Source - Business-type Activities**



## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported an increase in the combined ending fund balances in comparison with the prior year. Of this amount, unassigned fund balance is available for spending at the City's discretion. The remainder of fund the balance is not available for new spending because it is either 1) nonspendable for prepaid items, 2) restricted for debt service, or 3) assigned for capital outlay.

	General Fund	Capital Purchases	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 14,617	\$ -	\$ -	\$ 14,617	\$ 10,698	\$ 3,919
Restricted	-	-	-	-	27,330	(27,330)
Assigned	-	298,591	43,839	342,430	626,214	(283,784)
Unassigned	454,888	-	-	454,888	420,340	34,548
Total	<u>\$ 469,505</u>	<u>\$ 298,591</u>	<u>\$ 43,839</u>	<u>\$ 811,935</u>	<u>\$ 1,084,582</u>	<u>\$ (272,647)</u>

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 14,617	\$ 10,698	\$ 3,919
Restricted	-	26,162	(26,162)
Unassigned	454,888	443,339	11,549
Total	<u>\$ 469,505</u>	<u>\$ 480,199</u>	<u>\$ (10,694)</u>
General Fund expenditures	\$ 1,033,182	\$ 639,292	
Unassigned as a percent of expenditures	44.0%	69.3%	
Total Fund Balance as a percent of expenditures	45.4%	75.1%	

Other major governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Capital Purchases	\$ 298,591	\$ 589,241	\$ (290,650)
<i>The Capital Purchase fund decreased fund balance during the year as a result of transfers to other funds to support projects.</i>			

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2024	Ending Net Position 2023	Increase/ (Decrease)
Water	\$ 403,417	\$ 409,064	\$ (5,647)
<i>The decrease primarily is attributed operating expenses in excess of charges for services.</i>			
Sewer	\$ 520,252	\$ 449,258	\$ 70,994
<i>The increase relates mainly to increased operating revenues and transfers from the general fund.</i>			
Storm Water	\$ 234,692	\$ 137,789	\$ 96,903
<i>The increase primarily is attributed charges in excess of operating expenses to build reserves.</i>			

### General Fund Budgetary Highlights

The final budget approved by City Council indicated excess revenues over expenditures prior to net transfers to other funds, resulting in a budgeted decrease to fund balance. Actual year-end figures resulted in an decrease to fund balance.

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 644,440	\$ -	\$ 644,440	\$ 841,787	\$ 197,347
Expenditures	564,806	-	564,806	1,033,182	(468,376)
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,634	-	79,634	(191,395)	(271,029)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	1,250	1,250
Transfers in	-	-	-	294,122	294,122
Insurance recovery	-	-	-	4,328	4,328
Transfers out	(96,000)	-	(96,000)	(118,999)	(22,999)
Total Other Financing Sources (Uses)	(96,000)	-	(96,000)	180,701	276,701
Net Change in Fund Balances	(16,366)	-	(16,366)	(10,694)	5,672
Fund Balances, January 1	480,199	-	480,199	480,199	-
Fund Balances, December 31	\$ 463,833	\$ -	\$ 463,833	\$ 469,505	\$ 5,672

Some of the significant line item variances can be briefly summarized as follows:

- The largest revenue budget variance was in intergovernmental revenues primarily from unbudgeted collections of local government aid and ARPA funding.
- The largest expenditure variances related to capital outlay being \$483,495 over budget.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2024, increased as shown in Net of Depreciation table below (net of accumulated depreciation). This investment in capital assets includes land, historical treasures and collectables, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current year for governmental and business-type activities is due to increase in buildings, equipment, and infrastructure.

### City of Hamburg's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 100,000	\$ 100,000	\$ -	\$ 37,000	\$ 37,000	\$ -	\$ 137,000	\$ 137,000	\$ -
Historical treasures and collectables	11,873	11,873	-	-	-	-	11,873	11,873	-
Buildings	55,857	6,606	49,251	-	-	-	55,857	6,606	49,251
Machinery and equipment	176,560	166,113	10,447	137,196	27,193	110,003	313,756	193,306	120,450
Vehicles	345,810	386,641	(40,831)	-	-	-	345,810	386,641	(40,831)
Infrastructure	928,766	634,775	293,991	2,348,446	2,422,599	(74,153)	3,277,212	3,057,374	
Total	\$ 1,618,866	\$ 1,306,008	\$ 312,858	\$ 2,522,642	\$ 2,486,792	\$ 35,850	\$ 4,141,508	\$ 3,792,800	\$ 128,870
Percent increase (decrease)			24.0%			1.4%			3.4%

Additional information on the City's capital assets can be found in Note 3B starting on page 53 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding decreased. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Hamburg's Outstanding Debt

	Business-type Activities		
	2024	2023	Increase (Decrease)
G.O. Revenue Bonds	\$ 1,767,089	\$ 1,954,089	\$ (187,000)
Percent increase (decrease)			-9.6%

The City's total long-term debt decreased during the current fiscal year. This is primarily due to regularly scheduled debt payments.

The City's statutory debt limit is computed as three percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. As of December 31, 2024, the City is under the legal debt margin. There is currently no outstanding debt at year end that is applied against the statutory debt limit.

Additional information on the City's long-term debt can be found in Note 3E starting on page 56 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Overall General Fund revenues for 2024 Budget increase by \$25,372 and General Fund expenditures for 2025 increased by \$9,006 (Including transfers). A net loss/gain of \$0 is projected for 2025. Local Government Aid (LGA) was not included in the 2024/2025 budgets. LGA monies are earmarked for street improvements. The property tax levy for 2025 was increased by 3.94 percent. City Property Tax Rate decreased by 2.46 percent.
- General Governmental expenditures in the General Fund for 2025 increased by \$11,148 (Health Insurance Expenses/Equipment/Repairs & Maintenance).
- Public Safety expenditures for 2025 were decreased by \$2,890 (Policing Expenses increased \$2,095).
- Public Works expenditures for 2025 were decreased by \$6,112. Seal Coating scheduled for completion in 2025 decreased by \$10,000.
- Park expenditures for 2025 were increased by \$15,960. Repairs/maintenance expenses were increased by \$9,500. Property/Casualty Insurance Increased by \$2,300
- Hall expenditures for 2025 were decreased by \$14,880. Repair and maintenance expenditures for 2025 decreased by \$20,500.
- General Fund budgeted transfers out for 2025 include the following: \$50,000 to Sewer Fund for Phase Two of the Rip Rap Project, \$20,000 to City Equipment Fund for equipment replacement and \$26,000 to Fire Equipment CD for future Equipment & Truck Replacement Fund.
- Debt Service fund revenues remained \$0 in 2025. No new debt was issued in 2024 or expected for 2025.
- Water rates were remained the same as 2024 for 2025. 2025 Expenses increased by \$40,572 (Insurance, Equipment, Clean Water Tower). Debt payments for 2025 decreased by \$59,649. A net increase of \$14,889 is projected for 2025.
- Sewer rates were increased by 5% for 2024 and 5% for 2025. Budgeted expenditures for 2025 decreased by \$15,983. Repairs (Riprap Project) for the next few years will take place at the stabilization ponds, these expenses will be covered mainly with fund reserves and a transfer from the General Fund. Debt payments for 2025 decreased by \$201. A net loss of \$1,174 is projected for 2025. Overall, the sewer fund is relatively healthy and sufficient.
- Storm Water rates remained the same for 2024/2025. Storm Water fund revenues and expenditures for 2025 are projected to remain relatively the same as 2025. Debt payments for 2025 increased by \$3,778. A net decrease in cash of \$6,286 is projected for 2025.

All of these factors were considered in preparing the City's budget for the 2025 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Hamburg, 181 Broadway Ave, Hamburg, Minnesota 55339.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Hamburg, Minnesota  
Statement of Net Position  
December 31, 2024

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 812,798	\$ 389,810	\$ 1,202,608
Receivables			
Taxes	4,509	-	4,509
Accounts	1,302	34,938	36,240
Leases	-	26,098	26,098
Special assessments	-	28,486	28,486
Due from other governments	4,203	-	4,203
Prepaid items	14,617	4,810	19,427
Net pension asset	109,381	-	109,381
Capital assets			
Land, collectables, and construction in progress	111,873	37,000	148,873
Depreciable assets (net of accumulated depreciation)	1,506,993	2,485,642	3,992,635
Total Assets	<u>2,565,676</u>	<u>3,006,784</u>	<u>5,572,460</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>120,884</u>	<u>8,057</u>	<u>128,941</u>
<b>Liabilities</b>			
Accounts payable	15,856	1,573	17,429
Accrued salaries payable	2,320	1,131	3,451
Due to other governments	4,767	562	5,329
Accrued interest payable	-	10,193	10,193
Noncurrent liabilities			
Due within one year			
Long-term liabilities	16,434	137,659	154,093
Due in more than one year			
Long-term liabilities	-	1,633,089	1,633,089
Net pension liability	50,900	27,129	78,029
Total Liabilities	<u>90,277</u>	<u>1,811,336</u>	<u>1,901,613</u>
<b>Deferred Inflows of Resources</b>			
Deferred lease revenue	-	25,492	25,492
Deferred pension resources	118,137	19,652	137,789
Total Deferred Inflows of Resources	<u>118,137</u>	<u>45,144</u>	<u>163,281</u>
<b>Net Position</b>			
Net investment in capital assets	1,618,866	755,553	2,374,419
Restricted for fire pensions	109,381	-	109,381
Unrestricted	749,899	402,808	1,152,707
Total Net Position	<u>\$ 2,478,146</u>	<u>\$ 1,158,361</u>	<u>\$ 3,636,507</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 258,464	\$ 5,443	\$ 56,498	\$ -
Public safety	179,386	30,641	7,797	8,540
Public works	87,343	-	16,284	-
Culture and recreation	146,669	25,998	-	4,550
Total Governmental Activities	<u>671,862</u>	<u>62,082</u>	<u>80,579</u>	<u>13,090</u>
Business-type Activities				
Water	208,959	197,312	-	-
Sewer	93,630	73,556	-	1,068
Storm water	34,844	72,037	-	-
Total Business-type Activities	<u>337,433</u>	<u>342,905</u>	<u>-</u>	<u>1,068</u>
Total	<u>\$ 1,009,295</u>	<u>\$ 404,987</u>	<u>\$ 80,579</u>	<u>\$ 14,158</u>

General Revenues

Taxes
Property taxes, levied for general purposes
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Capital contributions
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expenses) Revenues  
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (196,523)	\$ -	\$ (196,523)
(132,408)	-	(132,408)
(71,059)	-	(71,059)
(116,121)	-	(116,121)
<u>(516,111)</u>	<u>-</u>	<u>(516,111)</u>
-	(11,647)	(11,647)
-	(19,006)	(19,006)
-	37,193	37,193
<u>-</u>	<u>6,540</u>	<u>6,540</u>
<u>(516,111)</u>	<u>6,540</u>	<u>(509,571)</u>
575,104	-	575,104
1,227	-	1,227
112,801	-	112,801
11,767	-	11,767
1,250	-	1,250
(59,710)	59,710	-
(96,000)	96,000	-
<u>546,439</u>	<u>155,710</u>	<u>702,149</u>
30,328	162,250	192,578
<u>2,447,818</u>	<u>996,111</u>	<u>3,443,929</u>
<u>\$ 2,478,146</u>	<u>\$ 1,158,361</u>	<u>\$ 3,636,507</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

City of Hamburg, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2024

	<b>101</b>	<b>203</b>	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 470,368	\$ 298,591	\$ 43,839	\$ 812,798
Receivables				
Taxes	4,509	-	-	4,509
Accounts	1,302	-	-	1,302
Due from other governments	4,203	-	-	4,203
Prepaid items	14,617	-	-	14,617
<b>Total Assets</b>	<b>\$ 494,999</b>	<b>\$ 298,591</b>	<b>\$ 43,839</b>	<b>\$ 837,429</b>
<b>Liabilities</b>				
Accounts payable	\$ 15,856	\$ -	\$ -	\$ 15,856
Accrued salaries payable	2,320	-	-	2,320
Due to other governments	4,767	-	-	4,767
<b>Total Liabilities</b>	<b>22,943</b>	<b>-</b>	<b>-</b>	<b>22,943</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	2,551	-	-	2,551
<b>Fund Balances</b>				
Nonspendable for prepaid items	14,617	-	-	14,617
Assigned for capital outlay	-	298,591	43,839	342,430
Unassigned	454,888	-	-	454,888
<b>Total Fund Balances</b>	<b>469,505</b>	<b>298,591</b>	<b>43,839</b>	<b>811,935</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 494,999</b>	<b>\$ 298,591</b>	<b>\$ 43,839</b>	<b>\$ 837,429</b>

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

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

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

Total Fund Balances - Governmental Funds	\$ 811,935
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	5,844,508
Less: accumulated depreciation	(4,225,642)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	109,381
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(16,434)
Net Pension liability	(50,900)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	2,551
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	120,884
Deferred inflow of resources	(118,137)
Total Net Position - Governmental Activities	<u>\$ 2,478,146</u>

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

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

	<b>101</b>	<b>203</b>	Total	Total
	General	Capital Purchases	Nonmajor Governmental	Governmental Funds
Revenues				
Property taxes	\$ 573,226	\$ -	\$ -	\$ 573,226
Licenses and permits	6,044	-	-	6,044
Intergovernmental	182,391	-	-	182,391
Charges for services	54,638	-	1,227	55,865
Fines and forfeitures	1,400	-	-	1,400
Investment earnings	2,314	8,304	1,149	11,767
Miscellaneous	21,774	-	-	21,774
Total Revenues	<u>841,787</u>	<u>8,304</u>	<u>2,376</u>	<u>852,467</u>
Expenditures				
Current				
General government	243,281	-	-	243,281
Public safety	98,141	-	-	98,141
Public works	52,800	-	-	52,800
Culture and recreation	122,765	-	1,510	124,275
Capital outlay				
General government	1,518	-	-	1,518
Public safety	50,776	-	-	50,776
Public works	401,047	-	-	401,047
Culture and recreation	62,854	-	-	62,854
Total Expenditures	<u>1,033,182</u>	<u>-</u>	<u>1,510</u>	<u>1,034,692</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(191,395)</u>	<u>8,304</u>	<u>866</u>	<u>(182,225)</u>
Other Financing Sources (Uses)				
Insurance recovery	4,328	-	-	4,328
Transfers in	294,122	-	28,999	323,121
Transfers out	(118,999)	(298,954)	(1,168)	(419,121)
Sale of capital assets	1,250	-	-	1,250
Total Other Financing Sources (Uses)	<u>180,701</u>	<u>(298,954)</u>	<u>27,831</u>	<u>(90,422)</u>
Net Change in Fund Balances	(10,694)	(290,650)	28,697	(272,647)
Fund Balances, January 1	<u>480,199</u>	<u>589,241</u>	<u>15,142</u>	<u>1,084,582</u>
Fund Balances, December 31	<u>\$ 469,505</u>	<u>\$ 298,591</u>	<u>\$ 43,839</u>	<u>\$ 811,935</u>

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

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ (272,647)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	501,216
Depreciation expense	(124,236)
Sales of capital assets are reported in the governmental funds as other financing sources. However, in the statement of activities, proceeds are eliminated and gains and losses are recorded.	
Net book value on disposal of capital assets	(4,412)
Capital assets transferred to enterprise funds are not recorded in the governmental funds.	(59,710)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(9,906)
Pension revenue	2,305
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	1,878
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Compensated absences	<u>(4,160)</u>
Change in Net Position - Governmental Activities	<u>\$ 30,328</u>

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

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	\$ 575,105	\$ 575,105	\$ 573,226	\$ (1,879)
Licenses and permits	8,125	8,125	6,044	(2,081)
Intergovernmental	7,600	7,600	182,391	174,791
Charges for services	47,130	47,130	54,638	7,508
Fines and forfeitures	900	900	1,400	500
Investment earnings	2,580	2,580	2,314	(266)
Miscellaneous	3,000	3,000	21,774	18,774
Total Revenues	<u>644,440</u>	<u>644,440</u>	<u>841,787</u>	<u>197,347</u>
Expenditures				
Current				
General government	257,910	257,910	243,281	14,629
Public safety	106,916	106,916	98,141	8,775
Public works	72,515	72,515	52,800	19,715
Culture and recreation	94,765	94,765	122,765	(28,000)
Capital outlay	32,700	32,700	516,195	(483,495)
Total Expenditures	<u>564,806</u>	<u>564,806</u>	<u>1,033,182</u>	<u>(468,376)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>79,634</u>	<u>79,634</u>	<u>(191,395)</u>	<u>(271,029)</u>
Other Financing Sources (Uses)				
Insurance recovery	-	-	4,328	4,328
Transfers in	-	-	294,122	294,122
Transfers out	(96,000)	(96,000)	(118,999)	(22,999)
Sale of capital assets	-	-	1,250	1,250
Total Other Financing Sources (Uses)	<u>(96,000)</u>	<u>(96,000)</u>	<u>180,701</u>	<u>276,701</u>
Net Change in Fund Balances	(16,366)	(16,366)	(10,694)	5,672
Fund Balances, January 1	<u>480,199</u>	<u>480,199</u>	<u>480,199</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 463,833</u>	<u>\$ 463,833</u>	<u>\$ 469,505</u>	<u>\$ 5,672</u>

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

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

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 32,929	\$ 258,544	\$ 98,337	\$ 389,810
Receivables				
Accounts	20,650	7,121	7,167	34,938
Special assessments	-	4,489	-	4,489
Lease	1,223	-	-	1,223
Prepaid items	3,552	1,258	-	4,810
Total Current Assets	<u>58,354</u>	<u>271,412</u>	<u>105,504</u>	<u>435,270</u>
<b>Noncurrent Assets</b>				
Lease receivable	24,875	-	-	24,875
Special assessments receivable	-	23,997	-	23,997
Capital assets				
Land	-	-	37,000	37,000
Machinery and equipment	9,306	211,110	-	220,416
Infrastructure	3,058,885	1,041,543	880,264	4,980,692
Less accumulated depreciation	(1,504,727)	(949,950)	(260,789)	(2,715,466)
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,563,464</u>	<u>302,703</u>	<u>656,475</u>	<u>2,522,642</u>
Total Noncurrent Assets	<u>1,588,339</u>	<u>326,700</u>	<u>656,475</u>	<u>2,571,514</u>
Total Assets	<u>1,646,693</u>	<u>598,112</u>	<u>761,979</u>	<u>3,006,784</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	4,178	3,879	-	8,057
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	1,274	299	-	1,573
Accrued salaries payable	698	433	-	1,131
Due to other governments	388	174	-	562
Accrued interest payable	5,157	249	4,787	10,193
Compensated absences payable	1,685	1,974	-	3,659
Current portion of bonds payable	56,250	16,000	61,750	134,000
Total Current Liabilities	<u>65,452</u>	<u>19,129</u>	<u>66,537</u>	<u>151,118</u>
<b>Noncurrent Liabilities</b>				
Bonds payable	1,132,250	40,089	460,750	1,633,089
Net pension liability	14,069	13,060	-	27,129
Total Noncurrent Liabilities	<u>1,146,319</u>	<u>53,149</u>	<u>460,750</u>	<u>1,660,218</u>
Total Liabilities	<u>1,211,771</u>	<u>72,278</u>	<u>527,287</u>	<u>1,811,336</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	10,191	9,461	-	19,652
Deferred lease revenue	25,492	-	-	25,492
Total Deferred Inflows of Resources	<u>35,683</u>	<u>9,461</u>	<u>-</u>	<u>45,144</u>
<b>Net Position</b>				
Net investment in capital assets	374,964	246,614	133,975	755,553
Unrestricted	28,453	273,638	100,717	402,808
Total Net Position	<u>\$ 403,417</u>	<u>\$ 520,252</u>	<u>\$ 234,692</u>	<u>\$ 1,158,361</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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

	Business-type Activities - Enterprise Funds			
	<b>601</b>	<b>602</b>	<b>603</b>	
	Water	Sewer	Storm Water	Total
Operating Revenues				
Charges for services	\$ 194,471	\$ 72,965	\$ 72,037	\$ 339,473
Operating Expenses				
Personnel services	38,726	39,134	-	77,860
Supplies	15,115	3,312	-	18,427
Other services and charges	24,766	18,628	1,041	44,435
Maintenance and repairs	11,331	14,129	-	25,460
Depreciation	105,477	17,598	22,736	145,811
Total Operating Expenses	195,415	92,801	23,777	311,993
Operating Income (Loss)	(944)	(19,836)	48,260	27,480
Nonoperating Revenues (Expenses)				
Interest expense and other	(13,544)	(829)	(11,067)	(25,440)
Other revenue	2,841	591	-	3,432
Total Nonoperating Revenues (Expenses)	(10,703)	(238)	(11,067)	(22,008)
Income (Loss) Before Contributions and Transfers	(11,647)	(20,074)	37,193	5,472
Capital Contributions from Governmental Funds	-	-	59,710	59,710
Capital Contributions - Connection Fees/Special Assessments	-	1,068	-	1,068
Transfers In	6,000	90,000	-	96,000
Change in Net Position	(5,647)	70,994	96,903	162,250
Net Position, January 1	409,064	449,258	137,789	996,111
Net Position, December 31	\$ 403,417	\$ 520,252	\$ 234,692	\$ 1,158,361

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

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

	Business-type Activities - Enterprise Funds			
	<b>601</b>	<b>602</b>	<b>603</b>	
	Water	Sewer	Storm Water	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 191,853	\$ 72,327	\$ 71,641	\$ 335,821
Other income related to operating activities	2,841	591	-	3,432
Payments to suppliers	(56,462)	(37,394)	(1,573)	(95,429)
Payments to employees	(40,769)	(37,022)	-	(77,791)
Net Cash Provided (Used)				
by Operating Activities	97,463	(1,498)	70,068	166,033
Cash Flows from Noncapital				
Financing Activities				
Transfers from other funds	6,000	90,000	-	96,000
Cash Flows from Capital				
and Related Financing Activities				
Acquisition of capital assets	-	(121,951)	532	(121,419)
Special assessments collected	-	5,152	-	5,152
Principal paid on bonds	(114,000)	(16,000)	(57,000)	(187,000)
Interest paid on bonds	(14,249)	(901)	(11,067)	(26,217)
Net Cash Used by				
Capital and Related				
Financing Activities	(128,249)	(133,700)	(67,535)	(329,484)
Net Increase (Decrease) in				
Cash and Cash Equivalents	(24,786)	(45,198)	2,533	(67,451)
Cash and Cash Equivalents, January 1	57,715	303,742	95,804	457,261
Cash and Cash Equivalents, December 31	<u>\$ 32,929</u>	<u>\$ 258,544</u>	<u>\$ 98,337</u>	<u>\$ 389,810</u>

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

City of Hamburg, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	603 Storm Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (944)	\$ (19,836)	\$ 48,260	\$ 27,480
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	2,841	591	-	3,432
Depreciation	105,477	17,598	22,736	145,811
(Increase) decrease in assets				
Accounts receivable	(2,618)	(638)	(396)	(3,652)
Prepaid items	(1,382)	(237)	-	(1,619)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	2,521	306	-	2,827
Increase (decrease) in liabilities				
Accounts payable	(4,207)	(1,262)	(532)	(6,001)
Due to other governments	339	174	-	513
Accrued salaries payable	(426)	(1,104)	-	(1,530)
Compensated absences payable	487	728	-	1,215
Pension liability	(5,559)	1,025	-	(4,534)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	934	1,157	-	2,091
Net Cash Provided (Used) by Operating Activities	<u>\$ 97,463</u>	<u>\$ (1,498)</u>	<u>\$ 70,068</u>	<u>\$ 166,033</u>
Schedule of Noncash Capital and Related Financing Activities				
Capital transfers from governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,710</u>	<u>\$ 59,710</u>
Capital assets purchased on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ 532</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

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

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Hamburg, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City 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 criteria above.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 City, except those required to be accounted for in another fund.

The *Capital Purchases fund* is used to account for various capital purchases by governmental departments.

The City reports the following major proprietary funds:

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

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

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

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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 revenue 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.

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

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

#### ***Deposits and Investments***

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

Cash balances from all funds except certain special revenue and debt service funds are pooled and kept in the City's checking account. The account does not earn any interest; therefore, interest is not allocated to the funds with pooled cash. The City does not have a formal investment policy.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

#### ***Property Taxes***

The City 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 Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

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

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

***Accounts Receivable***

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

***Special Assessments***

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

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Lease Receivable***

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

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

***Capital Assets***

Capital assets, which include land, historical treasures and collectables, property, plant, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires 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.

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

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

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

Assets	Useful Lives in Years
Buildings and Improvements	10 to 40
Other Improvements	10 to 20
System Improvements/Infrastructure	20 to 50
Machinery and Equipment	5 to 15

**Deferred Outflows of Resources**

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

**Pensions**

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

The total pension expense for the GERP and Fire Relief Association (FRA) is as follows:

	GERP	FRA	Total Pension Expense
City's proportionate share	\$ 9,902	\$ 32,126	\$ 42,028
Proportionate share of State's contribution	(39)	-	(39)
	<u>\$ 9,863</u>	<u>\$ 32,126</u>	<u>\$ 41,989</u>

**Compensated Absences**

It is the City's policy to permit employees to accumulate one day of vacation for every 10 full weeks of employment from the date of hire to the end of the calendar year (December 31) of that year for the first year of employment. Employees are entitled to a percentage, based on years of service, of unused sick pay due to retirement or termination. Employees are entitled to accumulated vacation pay up to a maximum of 256 hours at retirement or termination. The General fund is typically used to liquidate governmental compensated absences payable.

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

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

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Inflows of Resources***

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

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

***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, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*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 City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk/ Treasurer.

*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.

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

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

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 35 - 50 percent of budgeted operating expenditures for cash-flow timing needs.

**Net Position**

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist 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.

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

**A. Budgetary Information**

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

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk-Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Clerk-Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the department level. The City did amend the budget during the year.

**B. Excess of Expenditure Over Appropriations**

For the year ended December 31, 2024, expenditures exceeded appropriations in the General fund by \$468,376. The excess was funded by excess revenue over budget and a transfer from the Capital Purchases fund.

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

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

**A. Deposits**

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$1,202,608 and the bank balance was \$1,245,539. The bank balance was covered by federal depository insurance totaling \$500,000, and the remaining balance was covered by collateral held by the City's agent in the City's name.

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

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

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Historical treasures and collectables	11,873	-	-	11,873
 Total Capital Assets not Being Depreciated	 111,873	 -	 -	 111,873
 Capital Assets Being Depreciated				
Buildings	406,947	55,936	(13,751)	449,132
Machinery and equipment	742,369	44,547	-	786,916
Vehicles	730,553	-	-	730,553
Infrastructure	3,425,011	341,023	-	3,766,034
 Total Capital Assets Being Depreciated	 5,236,365	 441,506	 (13,751)	 5,732,635
 Less Accumulated Depreciation for				
Buildings	(400,341)	(2,273)	9,339	(393,275)
Machinery and equipment	(576,256)	(34,100)	-	(610,356)
Vehicles	(343,912)	(40,831)	-	(384,743)
Infrastructure	(2,790,236)	(47,032)	-	(2,837,268)
 Total Accumulated Depreciation	 (4,014,817)	 (124,236)	 9,339	 (4,225,642)
 Total Capital Assets Being Depreciated, Net	 1,194,135	 317,270	 (4,412)	 1,506,993
 Governmental Activities Capital Assets, Net	 <u>\$ 1,333,421</u>	 <u>\$ 317,270</u>	 <u>\$ (4,412)</u>	 <u>\$ 1,618,866</u>

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

General Government	\$ 14,580
Public Safety	60,079
Public Works	34,210
Culture and Recreation	15,367
 Total Depreciation Expense - Governmental Activities	 <u>\$ 124,236</u>

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 37,000	\$ -	\$ -	\$ 37,000
Capital Assets Being Depreciated				
Machinery and equipment	116,911	121,950	(18,446)	220,415
Infrastructure	4,920,982	59,711	-	4,980,693
Total Capital Assets Being Depreciated	5,037,893	181,661	(18,446)	5,201,108
Less Accumulated Depreciation for				
Machinery and equipment	(89,718)	(11,947)	18,446	(83,219)
Infrastructure	(2,498,383)	(133,864)	-	(2,632,247)
Total Accumulated Depreciation	(2,446,037)	(145,811)	18,446	(2,715,466)
Total Capital Assets Being Depreciated, Net	2,449,792	35,850	-	2,485,642
Business-type Activities Capital Assets, Net	<u>\$ 2,628,856</u>	<u>\$ 35,850</u>	<u>\$ -</u>	<u>\$ 2,522,642</u>

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

Water	\$ 105,477
Sewer	17,598
Storm Water	<u>22,736</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 145,811</u>

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

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

**C. Interfund Transfers**

During the year ended December 31, 2024 the City made the following transfers:

Fund	Transfers in				Total
	General	Nonmajor Governmental	Water Enterprise	Sewer Enterprise	
Transfers Out					
General	\$ -	\$ 28,999	\$ -	\$ 90,000	\$ 118,999
Capital Purchases	292,954	-	6,000	-	298,954
Nonmajor governmental	1,168	-	-	-	1,168
Total Transfer In	<u>\$ 294,122</u>	<u>\$ 28,999</u>	<u>\$ 6,000</u>	<u>\$ 90,000</u>	<u>\$ 419,121</u>

- The City budgeted \$90,000 to the Sewer fund, \$22,999 to the 2018 Fire Truck fund, and \$6,000 to the Fire Equipment nonmajor governmental fund from the General fund during the year. The city also budgeted \$6,000 to the Water fund from the Capital Purchases governmental fund.
- The Council approved a transfer of \$237,018 from the Capital Purchases governmental fund to the General fund for the Brad Street Project. The Council also approved a transfer of \$55,936 from the Capital Purchases governmental fund to the General fund for the Park Bathroom Remodel.

**D. Lease Receivable**

The City has a lease with Broadband Corporation for the use of the water tower for placing personal communication service antennas, connecting cables, and appurtenances on the tower. The lease began on August 31, 2022 for an initial term of 60 months with three renewal terms of 60 months each. Broadband Corporation pays the City equal monthly installments of \$150. The purpose of the lease is to provide a location for the placement of the communication equipment while generating revenue for the City.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Broadband Cell Tower	8/31/2022	2.26 %	\$ 1,602	<u>\$ 26,098</u>

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

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

**E. Long-term Debt**

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water, Sewer and Storm Water funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require approximately 49, 28, and 107 percent of net revenues from the Water, Sewer and Storm Water funds, respectively. Principal and interest paid for 2024 and total customer net revenues for the Water fund were \$128,249 and \$194,471, respectively. Principal and interest paid for 2024 and total customer net revenues for the Sewer fund were \$16,901 and \$72,965, respectively. Principal and interest paid for 2024 and total customer net revenues for the Storm Water fund were \$72,037 and \$68,067, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA Sewer Revenue Note, 2011	\$ 290,242	1.26 %	12/08/11	08/20/30	\$ 56,089
MPFA Water Revenue Note, 2019	1,382,070	1.00	10/11/19	08/20/44	1,161,000
G.O. Public Utility Revenue Refunding Bonds, Series 2019A	785,000	1.35 - 2.25	12/30/19	02/01/32	550,000
Total G.O. Revenue Bonds					<u>\$ 1,767,089</u>

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2025	\$ 134,000	\$ 23,149	\$ 157,149
2026	135,000	21,346	156,346
2027	141,000	19,350	160,350
2028	125,089	17,198	142,287
2029	565,000	54,804	619,804
2030 - 2034	294,000	27,520	321,520
2035 - 2039	309,000	12,520	321,520
2040 - 2044	64,000	640	64,640
Total	<u>\$ 1,767,089</u>	<u>\$ 176,527</u>	<u>\$ 1,943,616</u>

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

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

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated Absences Payable	\$ 12,274	\$ 10,681	\$ (6,521)	\$ 16,434	\$ 16,434
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 1,954,089	\$ -	\$ (187,000)	\$ 1,767,089	\$ 134,000
Compensated Absences Payable	2,444	2,556	(1,341)	3,659	3,659
Business-type Activity Long-term Liabilities	<u>\$ 1,956,533</u>	<u>\$ 2,556</u>	<u>\$ (188,341)</u>	<u>\$ 1,770,748</u>	<u>\$ 137,659</u>

## 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 Hamburg, Minnesota  
Notes to the Financial Statements  
For the Year Ended 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 \$13,312, \$12,229 and \$11,620, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$78,029 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,018.

City's Proportionate Share of the Net Pension Liability	\$ 78,029
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>2,018</u>
Total	<u><u>\$ 80,047</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0021 percent at the end of the measurement period and 0.0018 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$9,902 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$39 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$3,572 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

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

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 7,112	\$ -
Changes in Actuarial Assumptions	433	26,358
Net Difference Between Projected and Actual Investment Earnings	-	18,285
Changes in Proportion	8,685	11,879
Contributions Paid to PERA Subsequent to the Measurement Date	<u>6,944</u>	<u>-</u>
Total	<u>\$ 23,174</u>	<u>\$ 56,522</u>

The \$6,944 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (29,119)
2026	3,991
2027	(9,183)
2028	(5,981)

**E. Long-term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	<u>25.0</u>	<u>5.90</u>
Total	<u>100.0 %</u>	

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

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

**F. Actuarial Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

**G. Discount Rate**

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

**H. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
General Employees Fund	\$ 170,427	\$ 78,029	\$ 2,022

**I. Pension Plan Fiduciary Net Position**

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

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

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

**A. Plan Description**

All members of the Hamburg Fire Department (the Department) are covered by a defined benefit plan administered by the Hamburg Fire Department Relief Association (the Association). As of December 31, 2024, the plan covered 21 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

**B. Benefits Provided**

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$17,158 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2024 was \$0. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

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

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

**D. Pension Costs**

At December 31, 2024, the City reported a net pension asset of \$109,381 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2022	\$ 467,069	\$ 515,485	\$ (48,416)
Changes for the Year			
Service cost	15,595	-	15,595
Interest on pension liability (asset)	28,960	-	28,960
Actuarial experience (gains)/losses	(13,159)	-	(13,159)
Projected investment earnings	-	31,391	(31,391)
Contributions (State)	-	15,397	(15,397)
Asset (gain)/loss	-	45,573	(45,573)
Total Net Changes	31,396	92,361	(60,965)
Ending Balance December 31, 2022	\$ 498,465	\$ 607,846	\$ (109,381)

For the year ended December 31, 2024, the City recognized pension expense of \$32,126.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 81,267
Net Difference Between Projected and Actual Earnings on Plan Investments	88,609	-
Contributions to Plan Subsequent to the Measurement Date	17,158	-
Total	\$ 105,767	\$ 81,267

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

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

Deferred outflows of resources totaling \$17,158 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2024	\$ (1,438)
2025	13,973
2026	10,500
2027	(10,758)
2028	(4,935)

**E. Actuarial Assumptions**

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

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2024.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability (Asset) Sensitivity**

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

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined Benefit Plan	\$ (90,635)	\$ (109,381)	\$ (127,302)

**H. Investment Policy**

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

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

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

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

**I. Asset Allocation**

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.0 %	5.10 %
International Stocks	15.0	5.30
Bonds	45.0	0.75
Unallocated	5.0	-
Total	<u>100.0 %</u>	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2023 for the Volunteer Firefighter Fund.

**J. Pension Plan Fiduciary Net Position**

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of December 31, 2023, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at [www.mnpera.org](http://www.mnpera.org).

**Note 6: Joint Ventures**

**Young America Township**

The City participates in a joint powers agreement with the Young America Township (the Township), which includes the rental of space at the Community Center. The agreement creates a Community Advisory Committee, composed of two members from each organization, consisting of four members. It shall be the duty of this Advisory Committee to make recommendations concerning maintenance, repair, upkeep and improvements to the Community Center. Said recommendations shall be considered by both the Township and the City; it being specifically understood that the City shall have the ultimate decision-making right and responsibility concerning maintenance, repair, upkeep and improvements. The Township shall pay to the City a portion of the maintenance costs associated with the Community Center. The agreement may be terminated mutual consent. Upon termination, the City shall refund to the Township its original principal payment of \$44,000.

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

**Note 7: 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 obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2024, the City is under the legal debt margin.

**C. Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2024 was \$104,114. This accounted for 12.4 percent of General fund revenues.

**Note 8: Conduit Debt Obligations**

The City issued the following conduit debt to Ridgeview Medical Center, a Minnesota nonprofit corporation located in the City of Waconia, to provide financial assistance for the expansion and remodeling of its existing hospital facilities.

- The Health Care Facilities Revenue Note, Series 2007, was issued in the amount of \$7,000,000. The note balance at December 31, 2024 was \$1,718,485.21.

Under each loan agreement, Ridgeview Medical Center is obligated for repayment of the notes. The City is not obligated in any manner for repayment of the note. Accordingly, the notes are not reported as liabilities in these financial statements.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0021 %	\$ 78,029	\$ 2,018	\$ 80,047	\$ 182,265	42.8 %	86.7 %
6/30/2023	0.0018	100,654	95,109	195,763	137,027	73.5	83.1
6/30/2022	0.0024	190,081	116,850	306,931	176,947	107.4	76.7
6/30/2021	0.0022	93,950	59,983	153,933	158,561	59.3	87.0
6/30/2020	0.0021	125,905	83,038	208,943	143,155	88.0	79.0
6/30/2019	0.0020	110,576	74,330	184,906	133,527	82.8	80.2
6/30/2018	0.0021	116,499	77,700	194,199	145,053	80.3	79.5
6/30/2017	0.0021	134,063	32,757	166,820	140,382	95.5	75.9
6/30/2016	0.0020	162,390	40,405	202,795	120,494	134.8	68.9
6/30/2015	0.0021	108,833	-	108,833	123,647	88.0	78.2

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 13,312	\$ 13,312	\$ -	\$ 177,495	7.50 %
12/31/2023	12,229	12,229	-	163,055	7.50
12/31/2022	11,620	11,620	-	154,939	7.50
12/31/2021	12,521	12,521	-	166,948	7.50
12/31/2020	11,706	11,706	-	156,086	7.50
12/31/2019	10,919	10,919	-	145,590	7.50
12/31/2018	10,523	10,523	-	140,313	7.50
12/31/2017	10,117	10,117	-	134,893	7.50
12/31/2016	9,702	9,702	-	129,361	7.50
12/31/2015	9,310	9,310	-	124,130	7.50

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

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

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

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

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

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

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

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

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

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

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

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

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

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

Changes in Plan Provisions

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

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

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

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

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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

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

	2024 (Fire Relief Report Date 2023)	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)
<b>Total Pension Liability</b>								
Service cost	\$ 15,595	\$ 15,595	\$ 17,881	\$ 18,544	\$ 16,646	\$ 17,755	\$ 16,208	\$ 16,103
Interest	28,960	25,528	22,328	23,108	19,108	22,490	24,708	25,717
Changes of benefit terms	-	-	-	-	-	-	4,127	3,893
Differences between expected and actual experience	(13,159)	(18,069)	34,978	(34,389)	2,852	-	(4,688)	-
Changes in benefit level	-	34,142	-	-	26,149	-	-	-
Changes of assumptions	-	-	-	-	-	(4,367)	8,696	(3,848)
Benefit payments, including refunds of employee contributions	-	-	(39,155)	-	-	(62,787)	(49,000)	(97,642)
<b>Net Change in Total Pension Liability</b>	<b>31,396</b>	<b>57,196</b>	<b>36,032</b>	<b>7,263</b>	<b>64,755</b>	<b>(26,909)</b>	<b>51</b>	<b>(55,777)</b>
<b>Total Pension Liability - January 1,</b>	<b>467,069</b>	<b>409,873</b>	<b>373,841</b>	<b>366,578 *</b>	<b>301,823</b>	<b>388,467</b>	<b>388,416</b>	<b>444,193</b>
<b>Total Pension Liability - December 31, (a)</b>	<b>\$ 498,465</b>	<b>\$ 467,069</b>	<b>\$ 409,873</b>	<b>\$ 373,841</b>	<b>\$ 366,578</b>	<b>\$ 361,558</b>	<b>\$ 388,467</b>	<b>\$ 388,416</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	\$ 13,028	\$ 11,923	\$ 11,677	-	\$ -	\$ 11,185	\$ 8,817	\$ 12,843
Contributions - state	2,369	3,406	2,453	13,855	13,430	18,644	17,009	18,067
Contributions - member	-	-	-	-	-	11	-	-
Net investment income	76,964	(88,962)	51,471	71,478	21,982	48,074	18,439	(9,338)
Other additions	-	-	(31)	-	-	211	-	-
Adjustment to initial asset transfer	-	-	-	-	31,503	-	-	-
Asset (gain)/loss	-	-	-	-	47,617	-	-	-
Benefit payments, including refunds of employee contributions	-	-	(39,155)	-	-	(62,787)	(49,000)	(97,642)
Administrative expense	-	(936)	(869)	(869)	(861)	(3,383)	(3,467)	(3,260)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>92,361</b>	<b>(74,569)</b>	<b>25,546</b>	<b>84,464</b>	<b>113,671</b>	<b>11,955</b>	<b>(8,202)</b>	<b>(79,330)</b>
<b>Plan Fiduciary Net Position - January 1,</b>	<b>515,485</b>	<b>590,054</b>	<b>564,508</b>	<b>480,044 *</b>	<b>366,374</b>	<b>451,057</b>	<b>459,259</b>	<b>538,589</b>
<b>Plan Fiduciary Net Position - December 31, (b)</b>	<b>\$ 607,846</b>	<b>\$ 515,485</b>	<b>\$ 590,054</b>	<b>\$ 564,508</b>	<b>\$ 480,045</b>	<b>\$ 463,012</b>	<b>\$ 451,057</b>	<b>\$ 459,259</b>
<b>Fire Relief's Net Pension Liability (Asset) - December 31, (a-b)</b>	<b>\$ (109,381)</b>	<b>\$ (48,416)</b>	<b>\$ (180,181)</b>	<b>\$ (190,667)</b>	<b>\$ (113,467)</b>	<b>\$ (101,454)</b>	<b>\$ (62,590)</b>	<b>\$ (70,843)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	121.94%	110.37%	143.96%	151.00%	130.95%	128.06%	116.11%	118.24%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to the Schedule:**

\* The relief association changed from a single-employer plan to an agent multiple-employer plan at the beginning of 2019 and restated beginning total pension liability and plan fiduciary net position.

*Benefit Changes.* The lump sum benefit increased from \$1,600 to \$1,800

*Changes of Assumptions.* The following changes in assumption occurred from the previous valuation:

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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

	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	Total
	<b>801</b>	<b>308</b>	<b>311</b>	<b>201</b>	Nonmajor
	Cable	2007	2018	Fire	Governmental
	Television	GO Bond	Fire Truck	Equipment	Funds
Assets					
Cash and temporary investments	<u>\$ 20,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,602</u>	<u>\$ 43,839</u>
Fund Balances					
Assigned for capital outlay	<u>\$ 20,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,602</u>	<u>\$ 43,839</u>

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

	Special Revenue	Debt Service		Capital Projects	Total
	801	308	311	201	Nonmajor
	Cable	2007	2018	Fire	Governmental
	Television	GO Bond	Fire Truck	Equipment	Funds
Revenues					
Charges for services	\$ 1,227	\$ -	\$ -	\$ -	\$ 1,227
Investment earnings	173	-	-	976	1,149
Total Revenues	1,400	-	-	976	2,376
Expenditures					
Current					
Culture and recreation	1,510	-	-	-	1,510
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(110)	-	-	976	866
Other Financing Sources					
Transfers in	-	-	22,999	6,000	28,999
Transfers out	-	(1,168)	-	-	(1,168)
Total Other Financing Sources (Uses)	-	(1,168)	22,999	6,000	27,831
Net Change in Fund Balances	(110)	(1,168)	22,999	6,976	28,697
Fund Balances, January 1	20,347	1,168	(22,999)	16,626	15,142
Fund Balances, December 31	\$ 20,237	\$ -	\$ -	\$ 23,602	\$ 43,839

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

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 575,105	\$ 575,105	\$ 573,226	\$ (1,879)	\$ 536,275
Licenses and permits					
Business	8,125	8,125	5,850	(2,275)	9,400
Nonbusiness	-	-	194	194	300
Total licenses and permits	8,125	8,125	6,044	(2,081)	9,700
Intergovernmental					
ARPA funding	-	-	56,498	56,498	-
State					
Local government aid	-	-	104,114	104,114	87,481
Property tax credits	-	-	3	3	3
Fire relief aid	3,100	3,100	2,004	(1,096)	24,812
Police state aid	1,000	1,000	1,482	482	1,159
Other	3,500	3,500	15,106	11,606	2,700
County					
Highway aid	-	-	1,112	1,112	10,000
Other	-	-	2,072	2,072	1,776
Total intergovernmental	7,600	7,600	182,391	174,791	127,931
Charges for services	47,130	47,130	54,638	7,508	42,181
Fines and forfeitures	900	900	1,400	500	810
Interest earnings	2,580	2,580	2,314	(266)	2,628
Miscellaneous					
Donations and contributions	1,000	1,000	13,090	12,090	22,626
Refunds and reimbursements	1,000	1,000	6,349	5,349	8,089
Other	1,000	1,000	2,335	1,335	2,541
Total miscellaneous	3,000	3,000	21,774	18,774	33,256
Total Revenues	644,440	644,440	841,787	197,347	752,781

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

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 10,500	\$ 10,500	\$ 25,834	\$ (15,334)	\$ 9,042
City clerk					
Personnel services	133,530	133,530	94,380	39,150	109,519
Supplies	3,500	3,500	2,486	1,014	2,565
Other services and charges	13,500	13,500	23,232	(9,732)	15,800
Total city clerk	150,530	150,530	120,098	30,432	127,884
Elections					
Other services and charges	2,500	2,500	3,406	(906)	462
Auditing					
Other services and charges	21,000	21,000	20,703	297	17,772
Assessor					
Other services and charges	4,100	4,100	4,378	(278)	4,107
Legal					
Other services and charges	20,000	20,000	14,995	5,005	26,366
Planning consultants					
Other services and charges	5,000	5,000	1,280	3,720	3,892
General government buildings					
Personnel services	25,580	25,580	25,041	539	20,398
Supplies	1,750	1,750	6,688	(4,938)	9,243
Other services and charges	16,950	16,950	20,858	(3,908)	25,064
Total general government buildings	44,280	44,280	52,587	(8,307)	54,705
Total general government	257,910	257,910	243,281	14,629	244,230
Public safety					
Police					
Other services and charges	31,716	31,716	25,419	6,297	23,203
Fire					
Personnel services	20,965	20,965	17,906	3,059	17,826
Supplies	6,250	6,250	13,599	(7,349)	9,689
Other services and charges	39,985	39,985	32,334	7,651	32,669
Total fire	67,200	67,200	63,839	3,361	60,184

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

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public safety (Continued)					
Building inspection					
Other services and charges	\$ 3,500	\$ 3,500	\$ 4,480	\$ (980)	\$ 5,324
Animal control					
Other services and charges	4,500	4,500	4,403	97	4,275
Total public safety	106,916	106,916	98,141	8,775	92,986
Public works					
Streets					
Personnel services	8,215	8,215	5,607	2,608	4,370
Supplies	2,700	2,700	2,590	110	5,396
Other services and charges	3,950	3,950	3,368	582	3,593
Maintenance and repair	32,500	32,500	27,377	5,123	4,207
Total streets	47,365	47,365	38,942	8,423	17,566
Snow and ice removal					
Other services and charges	12,000	12,000	4,069	7,931	16,270
Street lighting					
Other services and charges	9,650	9,650	7,717	1,933	8,617
Sanitation					
Other services and charges	3,500	3,500	2,072	1,428	1,776
Total public works	72,515	72,515	52,800	19,715	44,229
Culture and recreation					
Parks					
Personnel services	27,165	27,165	33,728	(6,563)	20,729
Supplies	4,250	4,250	7,763	(3,513)	9,279
Other services and charges	11,600	11,600	27,324	(15,724)	19,849
Total parks	43,015	43,015	68,815	(25,800)	49,857
Hall					
Personnel services	9,350	9,350	11,540	(2,190)	10,976
Supplies	5,250	5,250	5,562	(312)	7,581
Other services and charges	37,150	37,150	36,848	302	59,952
Total hall	51,750	51,750	53,950	(2,200)	78,509
Total culture and recreation	94,765	94,765	122,765	(28,000)	128,366
Total current	532,106	532,106	516,987	15,119	509,811

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

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 3,000	\$ 3,000	\$ 1,518	\$ 1,482	\$ 59,957
Public safety	27,700	27,700	50,776	(23,076)	55,967
Public works	-	-	401,047	(401,047)	507
Culture and recreation	2,000	2,000	62,854	(60,854)	13,050
Total capital outlay	<u>32,700</u>	<u>32,700</u>	<u>516,195</u>	<u>(483,495)</u>	<u>129,481</u>
Total Expenditures	<u>564,806</u>	<u>564,806</u>	<u>1,033,182</u>	<u>(468,376)</u>	<u>639,292</u>
Excess of Revenues Over Expenditures	<u>79,634</u>	<u>79,634</u>	<u>(191,395)</u>	<u>(271,029)</u>	<u>113,489</u>
Other Financing Sources (Uses)					
Insurance recovery	-	-	4,328	4,328	-
Transfers in	-	-	294,122	294,122	71,911
Transfers out	(96,000)	(96,000)	(118,999)	(22,999)	(163,481)
Sale of capital assets	-	-	1,250	1,250	7,502
Total Other Financing Sources (Uses)	<u>(96,000)</u>	<u>(96,000)</u>	<u>180,701</u>	<u>276,701</u>	<u>(84,068)</u>
Net Change in Fund Balances	(16,366)	(16,366)	(10,694)	5,672	29,421
Fund Balances, January 1	<u>480,199</u>	<u>480,199</u>	<u>480,199</u>	-	<u>450,778</u>
Fund Balances, December 31	<u>\$ 463,833</u>	<u>\$ 463,833</u>	<u>\$ 469,505</u>	<u>\$ 5,672</u>	<u>\$ 480,199</u>

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

	Total		Percent Increase (Decrease)
	2024	2023	
Revenues			
Property taxes	\$ 573,226	\$ 566,067	1.26 %
Licenses and permits	6,044	9,700	(37.69)
Intergovernmental	182,391	127,931	42.57
Charges for services	55,865	43,996	26.98
Fines and forfeitures	1,400	810	72.84
Special assessments	-	1,150	(100.00)
Investment earnings	11,767	11,576	1.65
Miscellaneous	21,774	33,256	(34.53)
Total Revenues	<u>\$ 852,467</u>	<u>\$ 794,486</u>	7.30 %
Per Capita	<u>\$ 1,447</u>	<u>\$ 1,391</u>	4.03 %
Expenditures			
Current			
General government	\$ 243,281	\$ 244,230	(0.39) %
Public safety	98,141	92,986	5.54
Public works	52,800	44,229	19.38
Culture and recreation	124,275	128,778	(3.50)
Capital outlay			
General government	1,518	59,957	(97.47)
Public safety	50,776	55,967	(9.28)
Public works	401,047	507	79,001.97
Culture and recreation	62,854	13,050	381.64
Debt service			
Principal	-	37,800	(100.00)
Interest and other charges	-	1,702	(100.00)
Total Expenditures	<u>\$ 1,034,692</u>	<u>\$ 679,206</u>	52.34 %
Per Capita	<u>\$ 1,757</u>	<u>\$ 1,190</u>	47.65 %
General Fund Balance - December 31	\$ 469,505	\$ 480,199	(2.23) %
Per Capita	797	841	(5.23)

The purpose of this report is to provide a summary of financial information concerning the City of Hamburg to  
The complete financial statements may be examined at City Hall, 181 Broadway Ave, Hamburg, MN 55339. Questions  
about this report should be directed to Jeremy Gruenhagen, Clerk/Treasurer at (952) 467-3232.

OTHER REQUIRED REPORTS

CITY OF HAMBURG  
HAMBURG, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Hamburg, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2025.

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

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



**Abdo**  
Minneapolis, Minnesota  
May 12, 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 Hamburg, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 12, 2025.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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



**Abdo**  
Minneapolis, Minnesota  
May 12, 2025



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

<u>Finding</u>	<u>Description</u>
<b>2024-001</b>	<b>Preparation of Financial Statements</b>
<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 over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management 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 to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. 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. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from QuickBooks to the amounts reported in the financial statements.

*Management Response:*

For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

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

<u>Finding</u>	<u>Description</u>
<b>2024-002</b>	<b>Limited Segregation of Duties</b>
<i>Condition:</i>	During our audit, we reviewed procedures over major transaction cycles and found the City to have limited segregation of duties related to cash disbursements, payroll, utility billing, receipting, and adjusting journal entries.
<i>Criteria:</i>	<p>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.</p> <p>Also, a well-designed system of internal control has documentation of significant transaction cycles. Documentation is especially important in the event of staff turnover.</p>
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. All cycles have the same person performing some of the authorization, custody, and recording functions.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	<p>While we recognize that the number of staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring.</p> <ul style="list-style-type: none"><li>• We recommend that the Billing Clerk continue to review the unopened bank statement, looking for activity within cancelled checks that appears inconsistent to the checks she prepared and payroll checks.</li><li>• For the deposits, we recommend that the Billing Clerk pay close attention to deposits that were made by the Clerk/Treasurer looking for inconsistencies.</li><li>• The utility billings should be reviewed by someone other than the person entering and printing billing registers.</li><li>• City Council should also be reminded of their duties over finance at least annually. Some typical monitoring duties would include the following tasks:<ul style="list-style-type: none"><li>○ Claims approval is an important control and should be at the front of the meeting to ensure that the City Council reviews the claims closely.</li><li>○ The check sequence should be reported in each set of approved minutes with a corresponding amount of all checks that agrees to the City Council claims listing. The City Council should review the order the checks are approved to ensure that they are in sequence and any gaps in numbers are explained.</li><li>○ A thorough review of budget versus actual reporting and narrative at least quarterly.</li><li>○ Monitor progress over the development of documented policies and procedures.</li><li>○ Consider personnel policies that require someone else to fill finance duties for a period of time. A mandatory vacation period of one week for all finance staff and distribution of their duties for that week is often recommended.</li></ul></li></ul>

*Management Response:*

The City has evaluated the accounting procedures and has determined that the job duties are assigned to the staff most capable. This doesn't always allow for complete segregation. The City will continue to review its processes and make changes where possible.