

# **ANNUAL FINANCIAL REPORT**

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024



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

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INTRODUCTORY SECTION

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Lein	Mayor	12/31/2026
Carol Szaroletta	Council Member	12/31/2026
Sarah Bruss	Council Member	12/31/2028
Selmer Olson	Council Member	12/31/2026
Jeri Bowers	Council Member	12/31/2028

**APPOINTED**

<u>Name</u>	<u>Title</u>
Michelle Morrison	City Clerk/City Administrator
Jenna McInnis	Utility Billing

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FINANCIAL SECTION  
CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Cologne, Minnesota

### Opinions

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cologne, 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 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's and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibility

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.

#### **Other Matters**

##### ***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 Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related notes disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 66 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 opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying individual fund financial schedule and report 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 individual fund financial schedule and report 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 April 1, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Minneapolis, Minnesota  
April 1, 2025



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## **Management' Discussion and Analysis**

As management of the City of Cologne, 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 or 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 position table on the following pages. The increase this year was due to an increase capital grants and contributions for special assessments for the street improvement project.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to intergovernmental revenues in excess of budget in the general fund. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The General fund balance as shown in the financial analysis of the city's funds section increased from prior year. The increase can mainly be attributed to intergovernmental revenue in excess of budget during the year.
- The City's total long-term debt decreased during the current fiscal year. The decrease can mainly be attributed to regularly scheduled principal repayments.

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

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

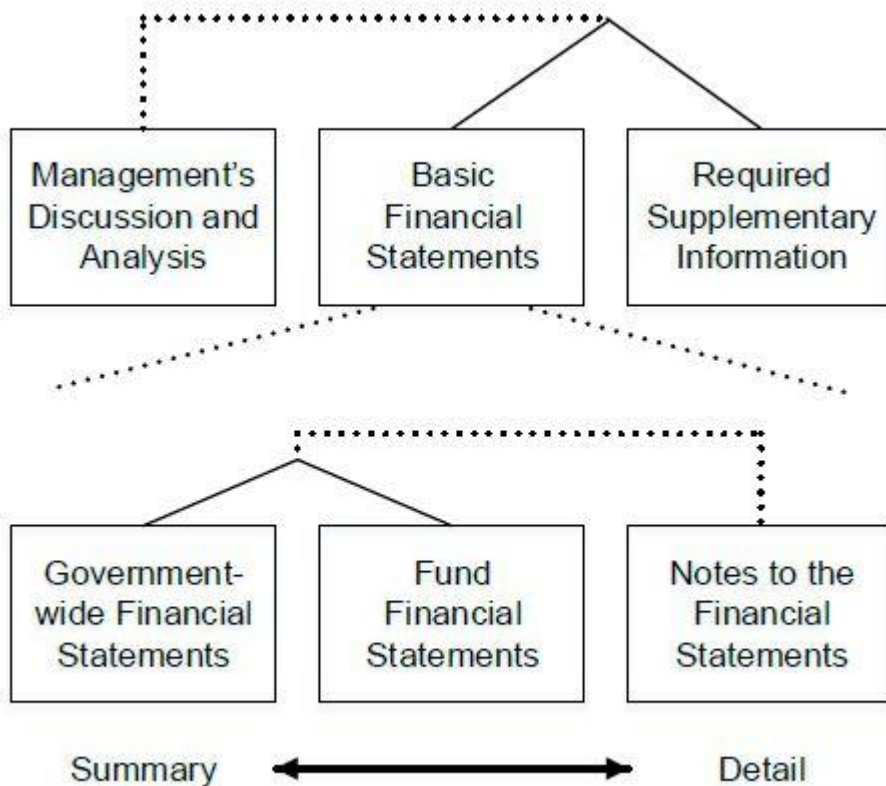


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

The *statement of activities* presents information showing how the City’s net position changed during the most recent 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).

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, economic development, and interest on long-term debt. The business-type activities of the City include water, sewer, and stormwater.

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 government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 government'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 three 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 fund and Debt service fund, which are considered to be major funds. Data from the other governmental fund is presented as nonmajor.

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.** *Proprietary 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 stormwater 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 43 of this report.

**Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 66 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds is presented following the notes to the financial statements. Individual fund statements and schedules start on page 73 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.

A portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment); 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 Cologne'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	\$ 4,939,291	\$ 4,770,636	\$ 168,655	\$ 806,737	\$ 596,367	\$ 210,370
Capital assets	11,531,491	11,112,819	418,672	14,216,155	12,619,182	1,596,973
<b>Total Assets</b>	<b>16,470,782</b>	<b>15,883,455</b>	<b>587,327</b>	<b>15,022,892</b>	<b>13,215,549</b>	<b>1,807,343</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	132,656	211,286	(78,630)	14,670	31,291	(16,621)
<b>Liabilities</b>						
Noncurrent liabilities outstanding	10,191,258	10,914,134	(722,876)	8,979,473	9,611,514	(632,041)
Other liabilities	237,059	362,634	(125,575)	75,199	265,429	(190,230)
<b>Total Liabilities</b>	<b>10,428,317</b>	<b>11,276,768</b>	<b>(848,451)</b>	<b>9,054,672</b>	<b>9,876,943</b>	<b>(822,271)</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	119,510	86,516	32,994	71,144	41,060	30,084
<b>Net Position</b>						
Net investment in capital assets	1,501,009	490,898	1,010,111	5,286,224	3,119,795	2,166,429
Restricted	1,727,087	1,874,815	(147,728)	-	-	-
Unrestricted	2,827,515	2,365,744	461,771	625,522	209,042	416,480
<b>Total Net Position</b>	<b>\$ 6,055,611</b>	<b>\$ 4,731,457</b>	<b>\$ 1,324,154</b>	<b>\$ 5,911,746</b>	<b>\$ 3,328,837</b>	<b>\$ 2,582,909</b>
<b>Net Position as a Percent of Total</b>						
Net investment in capital assets	24.8 %	10.4 %		89.4 %	93.7 %	
Restricted	28.5	39.6		-	-	
Unrestricted	46.7	50.0		10.6	6.3	
	<b>100.0 %</b>	<b>100.0 %</b>		<b>100.0 %</b>	<b>100.0 %</b>	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the City as a whole.

**Governmental Activities.** Governmental activities increased the City’s net position as shown below. The increase this year was due to an increase in charges and services and capital grants and contributions in comparison to the prior year.

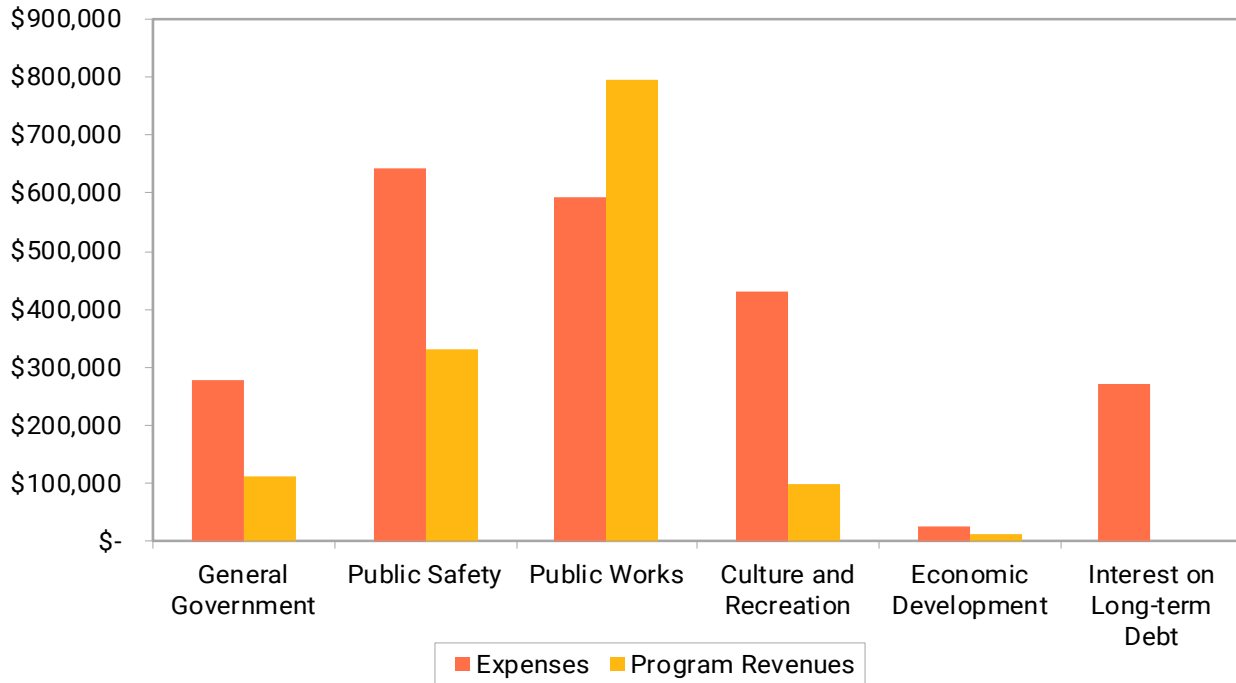
### City of Cologne’s Changes in Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 355,367	\$ 454,610	\$ (99,243)	\$ 1,091,668	\$ 1,103,243	\$ (11,575)
Operating grants and contributions	232,567	327,415	(94,848)	-	-	-
Capital grants and contributions	764,685	585,193	179,492	2,745,139	404,740	2,340,399
General Revenues						
Taxes						
Property taxes	1,799,384	1,711,574	87,810	-	-	-
Tax increment	16,614	10,725	5,889	-	-	-
Franchise Fees	1,374	-				
Grants and contributions not restricted to specific programs	329,108	273,669	55,439	64	16	48
Unrestricted investment earnings	62,475	64,630	(2,155)	-	-	-
Gain on sale of capital assets	5,175	6,249	(1,074)	-	32,319	(32,319)
<b>Total Revenues</b>	<b>3,566,749</b>	<b>3,434,065</b>	<b>131,310</b>	<b>3,836,871</b>	<b>1,540,318</b>	<b>2,296,553</b>
Expenses						
General government	277,226	665,928	(388,702)	-	-	-
Public safety	643,581	585,586	57,995	-	-	-
Public works	592,668	568,709	23,959	-	-	-
Culture and recreation	431,384	400,630	30,754	-	-	-
Economic development	25,651	16,497	9,154	-	-	-
Interest on long-term debt	272,085	355,189	(83,104)	-	-	-
Water	-	-	-	725,712	743,326	(17,614)
Sewer	-	-	-	465,865	874,123	(408,258)
Stormwater	-	-	-	62,385	45,902	16,483
<b>Total Expenses</b>	<b>2,242,595</b>	<b>2,592,539</b>	<b>(349,944)</b>	<b>1,253,962</b>	<b>1,663,351</b>	<b>(409,389)</b>
Change in Net Position	1,324,154	841,526	482,628	2,582,909	(123,033)	2,705,942
Net Position, January 1	4,731,457	3,889,931	841,526	3,328,837	3,451,870	(123,033)
Net Position, December 31	<b>\$ 6,055,611</b>	<b>\$ 4,731,457</b>	<b>\$ 1,324,154</b>	<b>\$ 5,911,746</b>	<b>\$ 3,328,837</b>	<b>\$ 2,582,909</b>

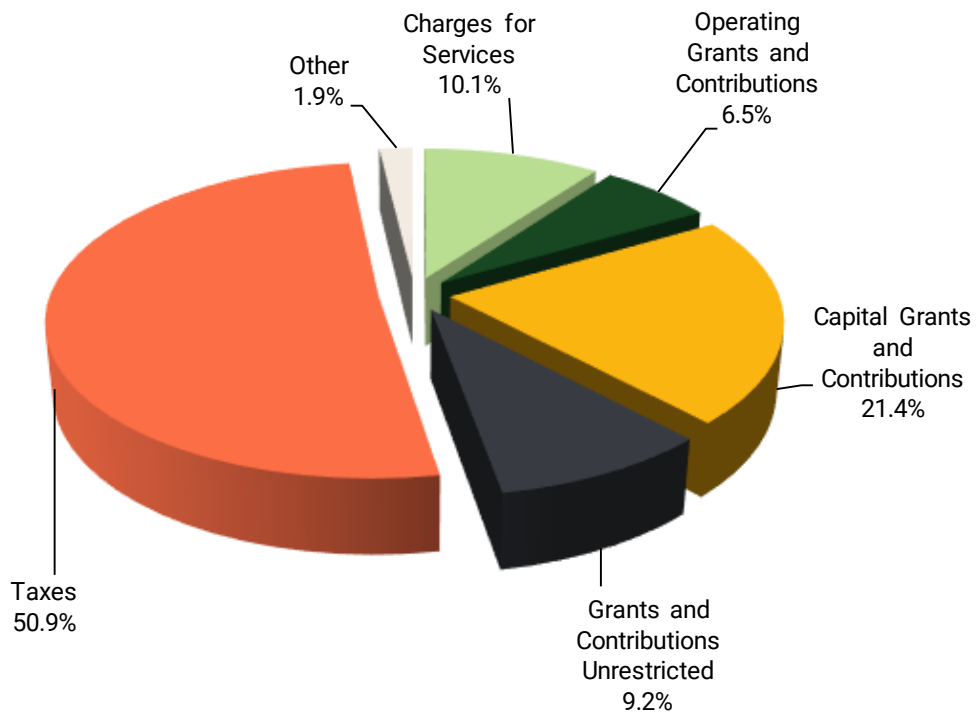
- Revenues increased \$131,310 from the prior year. The main reason for the increase was the increase in capital grants and contributions from the prior year.
- Expenses decreased \$349,944 from the prior year with the largest decrease in general government of \$388,702 with a decrease in operating expenses.

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

### Expenses and Program Revenue - Governmental Activities



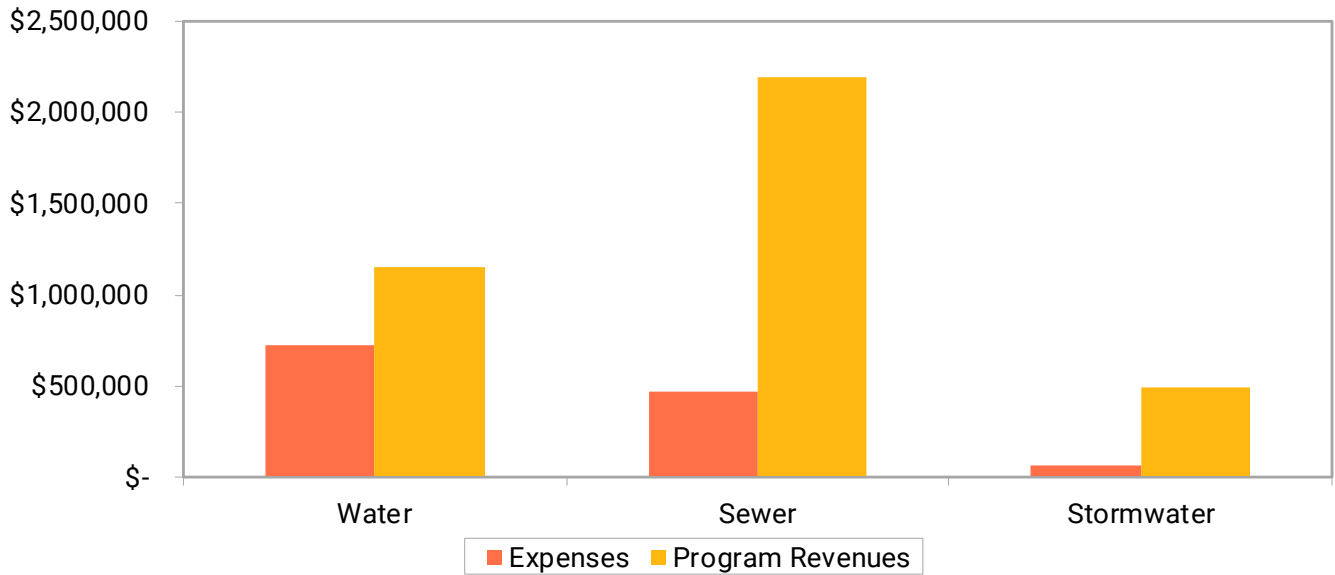
### Revenue by Source - Governmental Activities



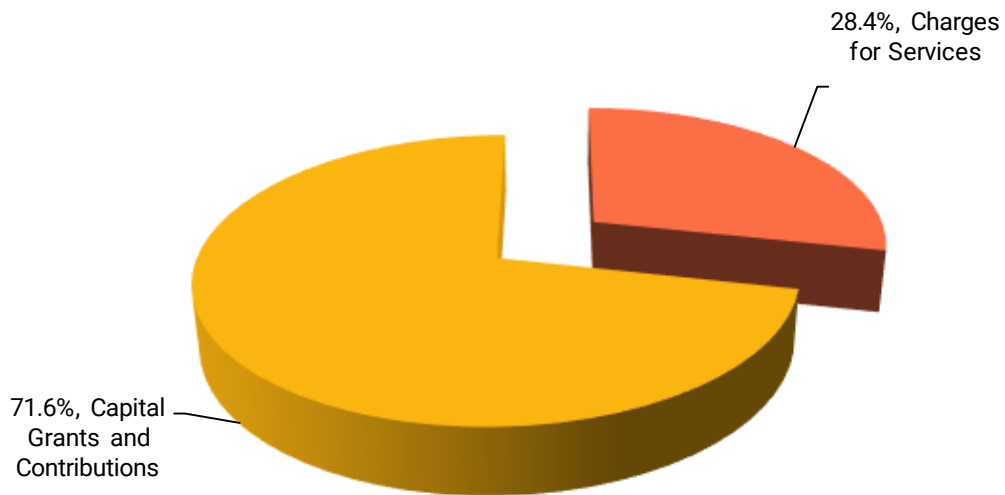
**Business-type Activities.** Business-type activities decreased the City's net position as noted in the table above. Key elements of the changes are listed below:

- Revenues in the business-type activities increased mainly due to an increase in charges for services for utility sales.
- Expenses decreased mainly due to decreasing engineering costs for the planned wastewater treatment plant.

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



**Revenue by Source - Business-type Activities**



## Financial Analysis of the Government'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.

	General Fund	Debt Service Fund	Nonmajor		Prior Year Total	Increase/ (Decrease)
			TIF 2-1	Total		
Fund Balances						
Restricted	\$ 330,010	\$ 801,130	\$ 3,234	\$ 1,134,374	\$ 1,258,030	\$ (123,656)
Assigned	2,046,410	-	-	2,046,410	1,256,284	790,126
Unassigned	905,930	-	-	905,930	1,272,512	(366,582)
<b>Total Fund Balances</b>	<b>\$ 3,282,350</b>	<b>\$ 801,130</b>	<b>\$ 3,234</b>	<b>\$ 4,086,714</b>	<b>\$ 3,786,826</b>	<b>\$ 299,888</b>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances as shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 48 of this report.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Restricted	\$ 330,010	\$ 478,237	\$ (148,227)
Assigned	2,046,410	1,256,284	790,126
Unassigned	905,930	1,272,512	(366,582)
<b>Total General Fund Balances</b>	<b>\$ 3,282,350</b>	<b>\$ 3,007,033</b>	<b>\$ 275,317</b>
General Fund expenditures	\$ 1,731,092	\$ 4,287,900	
Unassigned as a percent of expenditures	52.3%	29.7%	
Total Fund Balance as a percent of expenditures	189.6%	70.1%	

Other governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Debt Service fund	\$ 801,130	\$ 777,465	\$ 23,665

*The Debt Service fund balance increased during the year mainly due tax and special assessment revenue exceeding scheduled principal and interest payments made on bonds during the year. The ending fund balance is restricted for future debt service.*

**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 for the current and prior year is as follows:

	Ending Net Position 2024	Ending Net Position 2023	Increase/ (Decrease)
Water	\$ 2,142,487	\$ 1,714,027	\$ 428,460
<i>The increase primarily is attributed to the capital contributions from connection fees during the year. The Water fund also increased due to capital asset contributions received from developers.</i>			
Sewer	3,159,097	1,435,644	1,723,453
<i>The increase is primarily is attributed to intergovernmental revenues received for prior year wastewater treatment facility planning expenses. The Sewer fund also increased due to capital asset contributions received from developers.</i>			
Stormwater	610,162	179,166	430,996
<i>The Storm Water fund increased mainly due to capital asset contributions received from developers.</i>			

### General Fund Budgetary Highlights

The City’s General fund budget was not amended during the year. Actual revenues were \$284,924 over budget due to a positive budget variance in intergovernmental revenue for police aid and local government aid. Expenditures were \$14,782 over budget during the year.

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 1,716,310	\$ -	\$ 1,716,310	\$ 2,001,234	\$ 284,924
Expenditures	1,716,310	-	1,716,310	1,731,092	(14,782)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	270,142	270,142
Other Financing Sources (Uses) Sale of capital assets	-	-	-	5,175	5,175
Net Change in Fund Balances	-	-	-	275,317	275,317
Fund Balances, January 1	3,007,033	-	3,007,033	3,007,033	-
Fund Balances, December 31	\$ 3,007,033	\$ -	\$ 3,007,033	\$ 3,282,350	\$ 275,317

The City’s General fund budget was not amended during the year as shown above. Actual revenues were over the final budget mainly due to intergovernmental grant revenue and expenditures were over the final budget amounts as shown above mainly due to capital outlay expenditures in excess of 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, is shown below in the schedule of capital assets (net of depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads. The City completed the Benton Creek Street Project and capitalized additional remaining costs associated with the wastewater facility project and received developer contributed assets during the year. Other major capital additions that occurred throughout the year include the vehicle purchases and park improvements.

Additional information on the City's capital assets can be found in Note 3B starting on page 52 of this report.

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

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 254,300	\$ 254,300	\$ -	\$ -	\$ -	\$ -
Construction in Progress	121,788	30,000	91,788	979,287	468,009	511,278
Buildings	1,531,668	1,608,530	(76,862)	73,178	134,506	(61,328)
Infrastructure	8,738,138	8,195,252	542,886	12,961,014	11,785,216	1,175,798
Machinery and Equipment	885,597	1,024,737	(139,140)	202,676	231,451	(28,775)
<b>Total</b>	<b>\$ 11,531,491</b>	<b>\$ 11,112,819</b>	<b>\$ 418,672</b>	<b>\$ 14,216,155</b>	<b>\$ 12,619,182</b>	<b>\$ 1,596,973</b>
Percent increase (decrease)			3.8%			12.7%

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding consisting of special assessment debt, revenue related debt and general obligation debt as noted in the table below. 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 Cologne's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
General Obligation Bonds	\$ 9,762,000	\$ 10,334,000	\$ (572,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	8,811,000	9,372,000	(561,000)
Bond Premium	268,482	287,921	(19,439)	118,931	127,387	(8,456)
<b>Total</b>	<b>\$ 10,030,482</b>	<b>\$ 10,621,921</b>	<b>\$ (591,439)</b>	<b>\$ 8,929,931</b>	<b>\$ 9,499,387</b>	<b>\$ (569,456)</b>
Percent increase (decrease)			105.9%			106.4%

The City's total debt decreased during the current fiscal year. The key factor in the decrease was due to regularly scheduled principal repayments.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Additional information on the City's long-term debt can be found in Note 3C starting on page 54 of this report.

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

- The City expects to continue seeing steady population growth in the next five to ten years.
- The Benton Lake Area Street Improvement project was completed in 2023.
- The City has been working with the State Legislature to secure funding to replace the existing Waste Water Treatment Facility.
- The City is working with the EPA to secure federal funding to rehabilitate the North Water Tower.
- A multimillion dollar apartment complex with 67 housing unit has been proposed on a vacant City parcel.

## **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, City of Cologne, 1211 Village Parkway, PO Box 120, Cologne MN, 55322.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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City of Cologne, Minnesota

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 4,108,385	\$ 498,074	\$ 4,606,459
Receivables			
Taxes	6,235	-	6,235
Accounts	49,701	88,815	138,516
Special assessments	648,534	219,848	868,382
Pension assets	126,436	-	126,436
Capital assets			
Land and construction in progress	376,088	979,287	1,355,375
Depreciable assets (net of accumulated depreciation)	11,155,403	13,236,868	24,392,271
Total Assets	<u>16,470,782</u>	<u>15,022,892</u>	<u>31,493,674</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>132,656</u>	<u>14,670</u>	<u>147,326</u>
<b>Liabilities</b>			
Accounts payable	25,393	19,632	45,025
Accrued salaries payable	8,761	7,328	16,089
Accrued interest payable	182,257	48,239	230,496
Deposits payable	20,648	-	20,648
Noncurrent liabilities			
Due within one year			
Long-term debt	823,838	570,876	1,394,714
Due in more than one year			
Long-term debt	9,210,482	8,361,931	17,572,413
Net pension liability	156,938	46,666	203,604
Total Liabilities	<u>10,428,317</u>	<u>9,054,672</u>	<u>19,482,989</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>119,510</u>	<u>71,144</u>	<u>190,654</u>
<b>Net Position</b>			
Net investment in capital assets	1,501,009	5,286,224	6,787,233
Restricted for			
Debt service	1,267,407	-	1,267,407
Tax increment	3,234	-	3,234
Fire equipment	302,274	-	302,274
Fire relief pension	126,436	-	126,436
Luis hall	27,736	-	27,736
Unrestricted	<u>2,827,515</u>	<u>625,522</u>	<u>3,453,037</u>
Total Net Position	<u>\$ 6,055,611</u>	<u>\$ 5,911,746</u>	<u>\$ 11,967,357</u>

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

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

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 277,226	\$ 12,335	\$ 99,005	\$ -
Public safety	643,581	244,016	88,563	-
Public works	592,668	913	30,999	764,685
Culture and recreation	431,384	98,103	-	-
Economic development	25,651	-	14,000	-
Interest on long-term debt	272,085	-	-	-
Total Governmental Activities	<u>2,242,595</u>	<u>355,367</u>	<u>232,567</u>	<u>764,685</u>
<b>Business-type Activities</b>				
Water	725,712	590,265	-	563,875
Sewer	465,865	467,022	-	1,722,264
Stormwater	62,385	34,381	-	459,000
Total Business-type Activities	<u>1,253,962</u>	<u>1,091,668</u>	<u>-</u>	<u>2,745,139</u>
Total	<u>\$ 3,496,557</u>	<u>\$ 1,447,035</u>	<u>\$ 232,567</u>	<u>\$ 3,509,824</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise fees

State grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

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
\$ (165,886)	\$ -	\$ (165,886)
(311,002)	-	(311,002)
203,929	-	203,929
(333,281)	-	(333,281)
(11,651)	-	(11,651)
(272,085)	-	(272,085)
<u>(889,976)</u>	<u>-</u>	<u>(889,976)</u>
-	428,428	428,428
-	1,723,421	1,723,421
-	430,996	430,996
<u>-</u>	<u>2,582,845</u>	<u>2,582,845</u>
<u>(889,976)</u>	<u>2,582,845</u>	<u>1,692,869</u>
1,038,833	-	1,038,833
760,551	-	760,551
16,614	-	16,614
1,374	-	1,374
329,108	64	329,172
62,475	-	62,475
5,175	-	5,175
<u>2,214,130</u>	<u>64</u>	<u>2,214,194</u>
1,324,154	2,582,909	3,907,063
<u>4,731,457</u>	<u>3,328,837</u>	<u>8,060,294</u>
<u>\$ 6,055,611</u>	<u>\$ 5,911,746</u>	<u>\$ 11,967,357</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

City of Cologne, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2024

	<b>101</b>		Nonmajor	Total
	General	Debt Service	TIF 2-1	Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 3,304,511	\$ 800,640	\$ 3,234	\$ 4,108,385
Receivables				
Taxes	5,745	490	-	6,235
Accounts	49,701	-	-	49,701
Special assessments	-	648,534	-	648,534
	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Total Assets	<u>\$ 3,359,957</u>	<u>\$ 1,449,664</u>	<u>\$ 3,234</u>	<u>\$ 4,812,855</u>
<b>Liabilities</b>				
Accounts payable	\$ 25,393	\$ -	\$ -	\$ 25,393
Accrued salaries payable	8,761	-	-	8,761
Deposits payable	20,648	-	-	20,648
Total Liabilities	<u>54,802</u>	<u>-</u>	<u>-</u>	<u>54,802</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - taxes	5,077	-	-	5,077
Unavailable revenues - special assessments	-	648,534	-	648,534
Unavailable revenues - other	17,728	-	-	17,728
Total Deferred Inflows of Resources	<u>22,805</u>	<u>648,534</u>	<u>-</u>	<u>671,339</u>
<b>Fund Balances</b>				
Restricted for				
Debt service	-	801,130	-	801,130
Tax increment	-	-	3,234	3,234
Fire equipment	302,274	-	-	302,274
Luis hall	27,736	-	-	27,736
Assigned for				
Capital	1,739,146	-	-	1,739,146
Parks	307,264	-	-	307,264
Unassigned	905,930	-	-	905,930
Total Fund Balances	<u>3,282,350</u>	<u>801,130</u>	<u>3,234</u>	<u>4,086,714</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,359,957</u>	<u>\$ 1,449,664</u>	<u>\$ 3,234</u>	<u>\$ 4,812,855</u>

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

City of Cologne, 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	\$ 4,086,714
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	21,108,452
Less: accumulated depreciation	(9,576,961)
<p>Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.</p>	
	126,436
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
<p>Long-term liabilities at year-end consist of</p>	
Bond principal payable	(9,762,000)
Bond premium	(268,482)
Compensated absences payable	(3,838)
Net pension liability	(156,938)
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflows of pensions resources	132,656
Deferred inflows of pension resources	(119,510)
<p>Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
Taxes receivable	5,077
Special assessments receivable	648,534
Other	17,728
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>	
	(182,257)
Total Net Position - Governmental Activities	\$ 6,055,611

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

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

	<b>101</b>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>TIF 2-1</u>	<u>Governmental Funds</u>
Revenues				
Taxes	\$ 1,039,147	\$ 760,482	\$ 16,614	\$ 1,816,243
Licenses and permits	115,569	-	-	115,569
Intergovernmental	402,258	-	-	402,258
Charges for services	238,972	-	-	238,972
Fines and forfeitures	2,934	-	-	2,934
Special assessments	-	123,681	-	123,681
Interest on investments	62,475	69	-	62,544
Miscellaneous	139,879	-	-	139,879
Total Revenues	<u>2,001,234</u>	<u>884,232</u>	<u>16,614</u>	<u>2,902,080</u>
Expenditures				
Current				
General government	261,776	-	-	261,776
Public safety	457,245	-	-	457,245
Public works	288,822	-	-	288,822
Culture and recreation	254,069	-	-	254,069
Economic development	9,943	-	-	9,943
Capital outlay				
General government	660	-	-	660
Public safety	180,385	-	-	180,385
Public works	168,978	-	-	168,978
Culture and recreation	109,214	-	-	109,214
Economic development	-	-	15,708	15,708
Debt service				
Principal	-	572,000	-	572,000
Interest and other charges	-	288,567	-	288,567
Total Expenditures	<u>1,731,092</u>	<u>860,567</u>	<u>15,708</u>	<u>2,607,367</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	270,142	23,665	906	294,713
Other Financing Sources (Uses) Sale of capital assets	<u>5,175</u>	<u>-</u>	<u>-</u>	<u>5,175</u>
Net Change in Fund Balances	275,317	23,665	906	299,888
Fund Balances, January 1	<u>3,007,033</u>	<u>777,465</u>	<u>2,328</u>	<u>3,786,826</u>
Fund Balances, December 31	<u>\$ 3,282,350</u>	<u>\$ 801,130</u>	<u>\$ 3,234</u>	<u>\$ 4,086,714</u>

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

City of Cologne, 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	\$ 299,888
<p>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.</p>	
Capital outlays	359,379
Depreciation expense	(669,707)
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities</p>	
Disposals	(24,000)
Depreciation on disposals	24,000
Capital assets contributed by developers are not recorded in the governmental funds.	729,000
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal payments	572,000
Current year amortization of bond premium	19,439
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(2,957)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	58,379
Pension revenue	76
<p>Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	(87,996)
Property taxes	686
Other	17,728
<p>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 governmental funds.</p>	
Compensated absences	28,239
	28,239
Change in Net Position - Governmental Activities	\$ 1,324,154

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,052,057	\$ 1,052,057	\$ 1,039,147	\$ (12,910)
Licenses and permits	114,600	114,600	115,569	969
Intergovernmental	185,453	185,453	402,258	216,805
Charges for services	284,300	284,300	238,972	(45,328)
Fines and forfeitures	2,000	2,000	2,934	934
Interest on investments	25,000	25,000	62,475	37,475
Miscellaneous	52,900	52,900	139,879	86,979
Total Revenues	<u>1,716,310</u>	<u>1,716,310</u>	<u>2,001,234</u>	<u>284,924</u>
Expenditures				
Current				
General government	513,698	513,698	261,776	251,922
Public safety	462,283	462,283	457,245	5,038
Public works	327,274	327,274	288,822	38,452
Culture and recreation	244,055	244,055	254,069	(10,014)
Economic development	7,000	7,000	9,943	(2,943)
Capital outlay				
General government	5,000	5,000	660	4,340
Public safety	22,000	22,000	180,385	(158,385)
Public works	110,000	110,000	168,978	(58,978)
Culture and recreation	25,000	25,000	109,214	(84,214)
Total Expenditures	<u>1,716,310</u>	<u>1,716,310</u>	<u>1,731,092</u>	<u>(14,782)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	270,142	270,142
Other Financing Sources (Uses)				
Sale of capital assets	-	-	5,175	5,175
Net Change in Fund Balances	-	-	275,317	275,317
Fund Balances, January 1	<u>3,007,033</u>	<u>3,007,033</u>	<u>3,007,033</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,007,033</u>	<u>\$ 3,007,033</u>	<u>\$ 3,282,350</u>	<u>\$ 275,317</u>

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

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

	Business-type Activities - Enterprise Funds			Totals
	601	602	Nonmajor 603	
	Water	Sewer	Stormwater	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ (147,414)	\$ 609,369	\$ 36,119	\$ 498,074
Receivables				
Accounts	44,263	41,675	2,877	88,815
Special assessments	10,332	-	-	10,332
Total Current Assets	<u>(92,819)</u>	<u>651,044</u>	<u>38,996</u>	<u>597,221</u>
<b>Noncurrent Assets</b>				
Special assessments	209,516	-	-	209,516
Capital assets				
Construction in progress	-	979,287	-	979,287
Buildings	368,980	1,548,834	35,252	1,953,066
Machinery and equipment	707,708	388,932	-	1,096,640
Infrastructure	12,226,053	2,344,908	1,502,855	16,073,816
Less accumulated depreciation	<u>(3,323,075)</u>	<u>(2,496,404)</u>	<u>(67,175)</u>	<u>(5,886,654)</u>
Net Capital Assets	<u>9,979,666</u>	<u>2,765,557</u>	<u>1,470,932</u>	<u>14,216,155</u>
Total Noncurrent Assets	<u>10,189,182</u>	<u>2,765,557</u>	<u>1,470,932</u>	<u>14,425,671</u>
Total Assets	<u>10,096,363</u>	<u>3,416,601</u>	<u>1,509,928</u>	<u>15,022,892</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	7,336	7,334	-	14,670
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	12,484	7,148	-	19,632
Accrued salaries payable	3,664	3,664	-	7,328
Accrued interest payable	37,646	1,876	8,717	48,239
Compensated absences payable - current	1,438	1,438	-	2,876
Bonds payable - current	517,700	8,910	41,390	568,000
Total Current Liabilities	<u>572,932</u>	<u>23,036</u>	<u>50,107</u>	<u>646,075</u>
<b>Noncurrent Liabilities</b>				
Net pension liability	23,332	23,334	-	46,666
Bonds payable	7,329,375	182,897	849,659	8,361,931
Total Noncurrent Liabilities	<u>7,352,707</u>	<u>206,231</u>	<u>849,659</u>	<u>8,408,597</u>
Total Liabilities	<u>7,925,639</u>	<u>229,267</u>	<u>899,766</u>	<u>9,054,672</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	35,573	35,571	-	71,144
<b>Net Position</b>				
Net investment in capital assets	2,132,591	2,573,750	579,883	5,286,224
Unrestricted	9,896	585,347	30,279	625,522
Total Net Position	<u>\$ 2,142,487</u>	<u>\$ 3,159,097</u>	<u>\$ 610,162</u>	<u>\$ 5,911,746</u>

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

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

	Business-type Activities - Enterprise Funds			
	601	602	Nonmajor 603	Totals
	Water	Sewer	Stormwater	
Operating Revenues				
Charges for services	\$ 590,265	\$ 467,022	\$ 34,381	\$ 1,091,668
Operating Expenses				
Personal services	120,638	120,786	-	241,424
Supplies	34,408	58,883	-	93,291
Professional services	91,080	73,601	396	165,077
Insurance	14,117	-	-	14,117
Utilities	35,653	72,860	-	108,513
Repairs and maintenance	10,211	29,737	17,871	57,819
Depreciation	321,018	106,309	26,978	454,305
Total Operating Expenses	<u>627,125</u>	<u>462,176</u>	<u>45,245</u>	<u>1,134,546</u>
Operating Income (Loss)	<u>(36,860)</u>	<u>4,846</u>	<u>(10,864)</u>	<u>(42,878)</u>
Nonoperating Revenues (Expenses)				
Miscellaneous	32	32	-	64
Interest and other expense	<u>(98,587)</u>	<u>(3,689)</u>	<u>(17,140)</u>	<u>(119,416)</u>
Total Nonoperating Revenues (Expenses)	<u>(98,555)</u>	<u>(3,657)</u>	<u>(17,140)</u>	<u>(119,352)</u>
Income (Loss) Before Contributions	<u>(135,415)</u>	<u>1,189</u>	<u>(28,004)</u>	<u>(162,230)</u>
Contributions				
Capital contributions - connection fees	85,000	76,500	-	161,500
Capital contributions - other	6,875	1,036,764	-	1,043,639
Capital contributions - capital assets	<u>472,000</u>	<u>609,000</u>	<u>459,000</u>	<u>1,540,000</u>
Total Contributions	<u>563,875</u>	<u>1,722,264</u>	<u>459,000</u>	<u>2,745,139</u>
Change in Net Position	428,460	1,723,453	430,996	2,582,909
Net Position, January 1	<u>1,714,027</u>	<u>1,435,644</u>	<u>179,166</u>	<u>3,328,837</u>
Net Position, December 31	<u>\$ 2,142,487</u>	<u>\$ 3,159,097</u>	<u>\$ 610,162</u>	<u>\$ 5,911,746</u>

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

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

	Business-type Activities - Enterprise Funds			Totals
	601 Water	602 Sewer	Nonmajor 603 Stormwater	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 587,562	\$ 461,556	\$ 34,329	\$ 1,083,447
Payments to suppliers	(177,297)	(230,915)	(18,267)	(426,479)
Payments to employees	(144,169)	(144,788)	-	(288,957)
Net Cash Provided (Used) by Operating Activities	<u>266,096</u>	<u>85,853</u>	<u>16,062</u>	<u>368,011</u>
Cash Flows from Capital Financing Activities				
Connection fees received	85,000	76,500	-	161,500
Special assessments received	33,830	-	-	33,830
Grants received	-	1,036,764	-	1,036,764
Acquisition of capital assets	-	(678,081)	-	(678,081)
Interest paid and other on bonds	(107,403)	(4,354)	(20,227)	(131,984)
Principal paid on bonds	(513,214)	(8,465)	(39,321)	(561,000)
Net Cash Provided (Used) by Capital Financing Activities	<u>(501,787)</u>	<u>422,364</u>	<u>(59,548)</u>	<u>(138,971)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(235,691)	508,217	(43,486)	229,040
Cash and Cash Equivalents, January 1	<u>88,277</u>	<u>101,152</u>	<u>79,605</u>	<u>269,034</u>
Cash and Cash Equivalents, December 31	<u>\$ (147,414)</u>	<u>\$ 609,369</u>	<u>\$ 36,119</u>	<u>\$ 498,074</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (36,860)	\$ 4,846	\$ (10,864)	\$ (42,878)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	321,018	106,309	26,978	454,305
Other income related to operations	32	32	-	64
(Increase) decrease in assets				
Accounts receivable	(2,735)	(5,498)	(52)	(8,285)
(Increase) decrease in deferred outflows of resources				
Pension resources	8,308	8,313	-	16,621
Increase (decrease) in liabilities				
Accounts payable	8,172	4,166	-	12,338
Accrued salaries payable	(15,595)	(16,058)	-	(31,653)
Net pension liability	(14,352)	(14,359)	-	(28,711)
Compensated absences payable	(16,937)	(16,937)	-	(33,874)
Increase (decrease) in deferred inflows of resources				
Pension resources	15,045	15,039	-	30,084
Net Cash Provided (Used) by Operating Activities	<u>\$ 266,096</u>	<u>\$ 85,853</u>	<u>\$ 16,062</u>	<u>\$ 368,011</u>
Noncash Capital Financing and Investing Activities				
Amortization of bond premium	<u>\$ 5,379</u>	<u>\$ 545</u>	<u>\$ 2,532</u>	<u>\$ 8,456</u>
Capital assets contributed from developers	<u>\$ 472,000</u>	<u>\$ 609,000</u>	<u>\$ 459,000</u>	<u>\$ 1,540,000</u>

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

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Cologne, Minnesota (the City) is a municipal corporation governed by a mayor and a four-member council elected by eligible voters of the City. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. Based on this criteria, there are no organizations considered to be component units of the City.

### 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 and its component units. The effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### 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 funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current 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 Cologne, 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 general government, except those required to be accounted for in another fund.

The *Debt Service fund* is used for the servicing of general long-term debt not being financed by proprietary funds.

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water system and 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 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. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

## 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 statement of cash flows.

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

The City may 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 in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County 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 delinquent taxes not received within 60 days after year end in the fund financial statements.

City of Cologne, 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. 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 for utility receivables.

***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 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.

***Capital Assets***

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land improvements	20 - 40
Buildings and Improvements	20 - 40
Infrastructure	20 - 40
Machinery and Equipment	5 - 20

***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 one item that qualifies for reporting in this category. Accordingly, the deferred pension resources are reported only in the statements of net position. These items result from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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

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

***Compensated Absences***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. The City allows sick leave to accrue to a maximum of 480 hours for full-time employees. Any sick leave earned in excess of 480 hours will be converted to vacation leave at a rate of 20% for any excess sick leave at year-end. Employees retiring in good standing from the City will receive payment for all of their accumulated vacation time, paid at the rate in effect on the date of retirement. Sick leave is not paid out at retirement. The General fund is typically used to liquidate the ending compensated balances.

***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.

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

***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.

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan for the Cologne Firefighter's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the City is as follows:

	GERP	Fire Relief Association	Total
City's proportionate share	\$ (1,975)	\$ 27,315	\$ 25,340
Proportionate share of State's contribution	141	-	141
 Total pension expense	 \$ (1,834)	 \$ 27,315	 \$ 25,481

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

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a 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 three sources: property taxes and special assessments and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

### ***Fund Balance***

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. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Assigned amounts represent intended uses established by the City Council itself or by the Finance Director to which the governing body delegates the authority. The City Council delegates the authority to assign amounts for specific purposes to the City Clerk/Administrator.

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

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

The City has a formal fund balance policy to maintain 50% of the current operating budget.

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

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

**Net Position**

In the government-wide financial statements, 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.

The City Council adopts budgets prior to January 1, the appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, 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 not amended the budget during the year.

**B. Excess of Expenditures Over Appropriations**

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General Fund	\$ 1,716,310	\$ 1,731,092	\$ 14,782

The excess expenditures were funded by revenues in excess of budget.

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

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

**A. Deposits and Investments**

***Deposits***

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

At year end, the City's carrying amount of deposits was \$3,734,620 and the bank balance was \$3,835,521. The bank balance was partially covered by federal depository insurance while the remaining balance was covered by collateral held by the City's agent in the City's name.

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

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

**Investments**

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit risk, custodial credit risk, concentration of credit risk, and interest rate risks. Specific risk information for the City is as noted in the City investment policy is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above. To ensure safety, it is the policy of the City that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the City Council will approve all financial institutions, brokers, and advisers with which the City will do business.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City will minimize deposit custodial credit risk, by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment portfolio must be diversified by individual financial institution, government agency, or by corporation (in the case of commercial paper) to reduce the exposure to risk of loss.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City will minimize Interest Rate Risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

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

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

Types of Investments	Credit Quality/ Rating	Segmented Time Distribution	Amount
Pooled Investments at Amortized Costs			
4M	N/A	less than 1 year	<u>\$ 871,590</u>

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

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

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

Carrying Amount of Deposits	\$ 3,734,620
Investments	871,590
Petty Cash on Hand	<u>250</u>
Total	<u><u>\$ 4,606,459</u></u>

**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	\$ 254,300	\$ -	\$ -	\$ 254,300
Construction in progress	<u>30,000</u>	<u>91,788</u>	<u>-</u>	<u>121,788</u>
Total Capital Assets not being Depreciated	<u>284,300</u>	<u>91,788</u>	<u>-</u>	<u>376,088</u>
Capital Assets, being Depreciated				
Buildings	3,453,963	-	-	3,453,963
Infrastructure	12,350,410	957,204	-	13,307,614
Machinery and equipment	<u>3,955,400</u>	<u>39,387</u>	<u>(24,000)</u>	<u>3,970,787</u>
Total Capital Assets being Depreciated	<u>19,759,773</u>	<u>996,591</u>	<u>(24,000)</u>	<u>20,732,364</u>
Less Accumulated Depreciation for				
Buildings	(1,845,433)	(76,862)	-	(1,922,295)
Infrastructure	(4,155,158)	(414,318)	-	(4,569,476)
Machinery and equipment	<u>(2,930,663)</u>	<u>(178,527)</u>	<u>24,000</u>	<u>(3,085,190)</u>
Total Accumulated Depreciation	<u>(8,931,254)</u>	<u>(669,707)</u>	<u>24,000</u>	<u>(9,576,961)</u>
Total Capital Assets being Depreciated, Net	<u>10,828,519</u>	<u>326,884</u>	<u>-</u>	<u>11,155,403</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 11,112,819</u></u>	<u><u>\$ 418,672</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,531,491</u></u>

City of Cologne, 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				
Construction in progress	\$ 468,009	\$ 511,278	\$ -	\$ 979,287
Capital Assets being Depreciated				
Buildings	1,855,915	-	-	1,855,915
Infrastructure	14,569,069	1,540,000	-	16,109,069
Machinery and equipment	1,158,538	-	-	1,158,538
Total Capital Assets being Depreciated	17,583,522	1,540,000	-	19,123,522
Less Accumulated Depreciation for				
Buildings	(1,721,409)	(61,328)	-	(1,782,737)
Infrastructure	(2,783,853)	(364,202)	-	(3,148,055)
Machinery and equipment	(927,087)	(28,775)	-	(955,862)
Total Accumulated Depreciation	(5,432,349)	(454,305)	-	(5,886,654)
Total Capital Assets being Depreciated, Net	12,151,173	1,085,695	-	13,236,868
Business-type Activities Capital Assets, Net	<u>\$ 12,619,182</u>	<u>\$ 1,596,973</u>	<u>\$ -</u>	<u>\$ 14,216,155</u>

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

<b>Governmental Activities</b>		
General government		\$ 74,158
Public safety		92,587
Public works		347,804
Culture and recreation		155,158
Total Depreciation Expense - Governmental Activities		<u>\$ 669,707</u>
<b>Business-type Activities</b>		
Water		\$ 321,018
Sewer		106,309
Stormwater		26,978
Total Depreciation Expense - Business-type Activities		<u>\$ 454,305</u>

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

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

**C. Long-term Debt**

General Obligation Bonds

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

The following bonds will be repaid from future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2013A	\$ 8,020,000	2.00 - 3.25 %	06/19/13	02/01/33	\$ 3,905,000
G.O. Equipment Certificates Bonds, Series 2019A	693,000	2.60 - 2.75	02/01/22	02/01/28	332,000
G.O. Bonds Series 2020A	2,955,000	2.00 - 3.00	05/18/20	02/01/41	2,605,000
G.O. Bonds Series 2021A	385,000	1.40	08/04/21	02/01/32	310,000
G.O. Bonds Series 2023A	2,610,000	4.00 - 5.00	10/05/23	02/01/44	<u>2,610,000</u>
Total General Obligation Bonds					<u><u>\$ 9,762,000</u></u>

The annual service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 820,000	\$ 289,571	\$ 1,109,571
2026	867,000	266,415	1,133,415
2027	894,000	241,183	1,135,183
2028	931,000	214,114	1,145,114
2029	880,000	185,745	1,065,745
2030 - 2034	2,570,000	635,162	3,205,162
2035 - 2039	1,560,000	332,888	1,892,888
2040 - 2044	<u>1,240,000</u>	<u>100,674</u>	<u>1,340,674</u>
Total	<u><u>\$ 9,762,000</u></u>	<u><u>\$ 2,265,752</u></u>	<u><u>\$ 12,027,752</u></u>

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

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

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2013A	\$ 8,020,000	2.00 - 3.25 %	06/19/13	02/01/29	\$ 595,000
G.O. PFA Bonds, Series 2014A	839,216	1.00	09/02/14	08/20/34	445,000
G.O. PFA Bonds, Series 2017A	7,715,623	1.00	11/23/16	08/20/46	5,396,000
G.O. Bonds Series 2020A	2,330,000	2.00 - 3.00	05/18/20	02/01/41	2,055,000
G.O. Bonds Series 2021A	395,000	1.40	08/04/21	02/01/32	<u>320,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 8,811,000</u></u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2025	\$ 568,000	\$ 121,973	\$ 689,973
2026	581,000	111,532	692,532
2027	593,000	100,688	693,688
2028	451,000	91,410	542,410
2029	464,000	83,790	547,790
2030 - 2034	2,126,003	323,876	2,449,879
2035 - 2039	1,897,997	191,540	2,089,537
2040 - 2044	1,591,000	72,160	1,663,160
2045 - 2046	539,000	8,090	547,090
 Total	 <u><u>\$ 8,811,000</u></u>	 <u><u>\$ 1,105,059</u></u>	 <u><u>\$ 9,916,059</u></u>

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

	Water	Sewer	Stormwater
Operating Revenues	\$ 590,265	\$ 467,022	\$ 34,381
Principal and Interest	620,617	12,819	59,548
Percentage of Revenues	95 %	3,643 %	58 %

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

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

Changes in Long-term Liabilities

Noncurrent liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 10,334,000	\$ -	\$ (572,000)	\$ 9,762,000	\$ 820,000
Bond Premium	287,921	-	(19,439)	268,482	-
Compensated Absences	32,077	-	(28,239)	3,838	3838
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Governmental Activity Long-term Liabilities	<u>\$ 10,653,998</u>	<u>\$ -</u>	<u>\$ (619,678)</u>	<u>\$ 10,034,320</u>	<u>\$ 823,838</u>
<b>Business-type Activities</b>					
General Obligation					
Revenue Bonds	\$ 9,372,000	\$ -	\$ (561,000)	\$ 8,811,000	\$ 568,000
Bond Premium	127,387	-	(8,456)	118,931	-
Compensated Absences	36,750	-	(33,874)	2,876	2,876
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Business-type Activity Long-term Liabilities	<u>\$ 9,536,137</u>	<u>\$ -</u>	<u>\$ (603,330)</u>	<u>\$ 8,932,807</u>	<u>\$ 570,876</u>

Conduit Debt

In 2014 the City of Cologne issued \$13,960,000 of conduit bonds to finance the acquisition of the Cologne Academy charter school facility and the construction and equipping the facility. The loan is secured by a mortgage on the related land, building, and building contents, as well as the assignment of future lease revenue. The loan represents the proceeds of two lease revenue bond issued. The first issue is \$13,630,000 of Charter School Lease Revenue Bonds, Series 2014A, which bear interest ranging from 4% to 5% and have a final maturity of July 1, 2045. The second issue is the \$330,000 of Taxable Charter School Lease Revenue Bonds, Series 2014B, which bear an interest rate of 5% and have a final maturity of July 1, 2018. Through the terms of the agreement, the Building Company assumes all responsibility for the bonds issued by the City of Cologne and must make loan payments sufficient to meet the scheduled semi-annual debt service payments to retire the bonds. As of December 31, 2024 the total bonds outstanding were \$12,205,000.

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

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

**A. Plan Description**

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

General Employees Retirement Plan (General Plan)

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

**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 Cologne, 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 \$31,238, \$37,235 and \$32,679, 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 \$203,604 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 \$5,265.

City's Proportionate Share of the Net Pension Liability	\$	203,604
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		5,265
Total	\$	208,869

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 0.0055 percent at the end of the measurement period and 0.006 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized negative pension expense of \$1,975 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$141 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 \$9,356 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 Cologne, 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	\$ 19,578	\$ -
Changes in Actuarial Assumptions	975	82,094
Net Difference Between Projected and Actual Investment Earnings	-	65,408
Changes in Proportion	11,880	13,773
Contributions Paid to PERA Subsequent to the Measurement Date	15,613	-
Total	\$ 48,046	\$ 161,275

The \$15,613 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	\$ (66,077)
2026	(21,616)
2027	(25,544)
2028	(15,605)

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

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

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

City of Cologne, 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 Cologne, 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:

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 444,704	\$ 203,604	\$ 5,277

**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 Cologne, Minnesota  
Notes to the Financial Statements  
December 31, 2024

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

**A. Plan Description**

The Cologne Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2024, the plan covered 32 active firefighters and 7 vested terminated firefighters.

**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. Contribution**

50% of retirement benefits are payable to members who have reached 10 years of service. An additional 5% of benefits are payable each year until the 20<sup>th</sup> year of service, at which point full retirement benefits are payable. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. The Volunteer Firefighter Plan contributed \$34,564 during the year, equal to statutorily required contributions.

**D. Pension Costs**

At December 31, 2024, the City reported a net pension asset of \$126,436 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, 2023	\$ 764,277	\$ 823,832	\$ (59,555)
Changes for the Year			
Service cost	19,638	-	19,638
Interest on pension liability (asset)	43,115	-	43,115
Assumption changes	(9,720)	-	(9,720)
Contributions (Municipal)	-	4	(4)
Contributions (State)	-	30,144	(30,144)
Projected investment earnings	-	45,936	(45,936)
Asset (gain)/loss	(17,161)	34,069	(51,230)
Administrative costs	-	(7,400)	7,400
Total Net Changes	<u>35,872</u>	<u>102,753</u>	<u>(66,881)</u>
Ending Balance December 31, 2023	<u>\$ 800,149</u>	<u>\$ 926,585</u>	<u>\$ (126,436)</u>

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

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

For the year ended December 31, 2024, the Fire Department recognized pension expense of \$27,315.

December 31, 2024, the City reported deferred inflows and 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
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 64,716	\$ 18,390
Assumption Changes	-	10,989
Contributions Subsequent to the Measurement Date	34,564	-
Total	\$ 99,280	\$ 29,379

Deferred outflows of resources totaling \$34,564 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 pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$ 14,201
2026	20,553
2027	23,758
2028	(11,152)
2029	(4,339)
Thereafter	(7,684)

**E. Actuarial Assumptions**

The total pension liability (asset) as of December 31, 2024 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Salary Increases	2.50% per year
Investment Rate of Return	6.25%
Discount Rate	6.25%
20 Year Municipal Bond Yield	NA

\* From the prior study, the long-term rate of return and discount rate changed from 5.0% to 6.25%.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

**G. Pension Liability Sensitivity**

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

	<u>1 Percent Decrease (5.25%)</u>	<u>Current (6.25%)</u>	<u>1 Percent Increase (7.25%)</u>
SVF	\$ (111,836)	\$ (126,436)	\$ (140,356)

**H. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. The report may be obtained by writing to the Cologne Fire Department Relief Association, 110 Louis St. W, Cologne, MN 55322.

**Note 6: Other Information**

**A. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 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 increment. The City has no debt subject to the limit.

**B. 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.

**C. Tax Increment Financing Districts**

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

**D. 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 \$315,909 This accounted for 15.8% percent of General fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

City of Cologne, 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	0.0055 %	\$ 203,604	\$ 5,265	\$ 208,869	\$ 466,129	43.7 %	86.7 %
6/30/2023	0.0060	335,513	9,151	344,664	456,724	73.5	83.1
6/30/2022	0.0054	427,682	12,632	440,314	423,756	100.9	76.7
6/30/2021	0.0058	247,686	7,593	255,279	414,014	59.8	87.0
6/30/2020	0.0054	323,755	9,864	333,619	364,553	88.8	79.0
6/30/2019	0.0049	270,910	8,333	279,243	341,900	79.2	80.2
6/30/2018	0.0050	277,380	9,162	286,542	335,860	82.6	79.5
6/30/2017	0.0052	331,965	4,154	336,119	326,422	101.7	75.9
6/30/2016	0.0051	414,095	5,339	419,434	260,166	159.2	68.9

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

**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	\$ 31,238	\$ 31,238	\$ -	\$ 416,508	7.50 %
12/31/2023	37,235	37,235	-	496,463	7.50
12/31/2022	32,679	32,679	-	435,714	7.50
12/31/2021	32,122	32,122	-	428,297	7.50
12/31/2020	28,772	28,772	-	383,627	7.50
12/31/2019	25,911	25,911	-	345,480	7.50
12/31/2018	25,374	25,374	-	338,320	7.50
12/31/2017	25,005	25,005	-	333,400	7.50
12/31/2016	20,755	20,755	-	276,333	7.51

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

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

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

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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

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

City of Cologne, 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.

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

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

	2024 (Fire Relief Report Date 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)
<b>Total Pension Liability</b>					
Service cost	\$ 19,638	\$ 19,159	\$ 22,353	\$ 21,808	\$ 21,276
Interest	43,115	40,946	37,672	34,678	35,070
Gain or loss	(17,161)	-	(5,064)	-	-
Changes of assumptions	(9,720)	-	(3,729)	-	-
Benefit payments, including refunds of employee contributions	-	(42,271)	-	-	(128,677)
<b>Net Change in Total Pension Liability</b>	<u>35,872</u>	<u>17,834</u>	<u>51,232</u>	<u>56,486</u>	<u>(72,331)</u>
<b>Total Pension Liability - January 1</b>	<u>764,277</u>	<u>746,443</u>	<u>695,211</u>	<u>638,725</u>	<u>711,056</u>
<b>Total Pension Liability - December 31 (a)</b>	<u>\$ 800,149</u>	<u>\$ 764,277</u>	<u>\$ 746,443</u>	<u>\$ 695,211</u>	<u>\$ 638,725</u>
<b>Plan Fiduciary Net Position</b>					
Fire State aid	\$ 4	\$ 28,859	\$ 24,979	\$ 23,920	\$ 25,623
Municipal contributions	30,144	28,141	29,271	24,080	56,936
Net investment income	-	51,778	60,655	70,125	103,559
Benefit payments, including refunds of employee contributions	-	(42,271)	-	-	(128,677)
Administrative expense	(7,400)	(4,342)	(2,450)	(2,506)	(2,563)
Gain or Loss	80,005	(174,563)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>102,753</u>	<u>(112,398)</u>	<u>112,455</u>	<u>115,619</u>	<u>54,878</u>
<b>Plan Fiduciary Net Position - January 1</b>	<u>823,832</u>	<u>936,230</u>	<u>823,775</u>	<u>708,156</u>	<u>653,278</u>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<u>\$ 926,585</u>	<u>\$ 823,832</u>	<u>\$ 936,230</u>	<u>\$ 823,775</u>	<u>\$ 708,156</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<u>\$ (126,436)</u>	<u>\$ (59,555)</u>	<u>\$ (189,787)</u>	<u>\$ (128,564)</u>	<u>\$ (69,431)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	115.80%	107.79%	125.43%	118.49%	110.87%
<b>Covered-employee Payroll</b>	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

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

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INDIVIDUAL FUND FINANCIAL SCHEDULES AND REPORT

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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City of Cologne, 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
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 1,051,057	\$ 1,051,057	\$ 1,038,147	\$ (12,910)	\$ 1,052,578
Franchise fees	1,000	1,000	1,000	-	-
Total	<u>1,052,057</u>	<u>1,052,057</u>	<u>1,039,147</u>	<u>(12,910)</u>	<u>1,052,578</u>
Licenses and permits	<u>114,600</u>	<u>114,600</u>	<u>115,569</u>	<u>969</u>	<u>150,408</u>
Intergovernmental					
State					
Local government aid	157,953	157,953	315,909	157,956	247,983
Small city assistance	-	-	30,999	30,999	-
Police and fire	24,000	24,000	34,564	10,564	30,144
PERA aid	500	500	-	(500)	-
Other	3,000	3,000	6,786	3,786	93,452
County	-	-	14,000	14,000	96,745
Total intergovernmental	<u>185,453</u>	<u>185,453</u>	<u>402,258</u>	<u>216,805</u>	<u>468,324</u>
Charges for services					
General government	5,000	5,000	1,275	(3,725)	27,247
Public safety	194,500	194,500	138,307	(56,193)	182,586
Public works	4,000	4,000	1,287	(2,713)	3,765
Park and recreation	80,800	80,800	98,103	17,303	89,404
Total charges for services	<u>284,300</u>	<u>284,300</u>	<u>238,972</u>	<u>(45,328)</u>	<u>303,002</u>
Fines and forfeitures	<u>2,000</u>	<u>2,000</u>	<u>2,934</u>	<u>934</u>	<u>2,828</u>
Interest on investments	<u>25,000</u>	<u>25,000</u>	<u>62,475</u>	<u>37,475</u>	<u>64,630</u>
Miscellaneous					
Rents and leases	1,900	1,900	1,200	(700)	1,200
Refunds and reimbursements	25,000	25,000	81,277	56,277	85,473
Donations and other	24,000	24,000	42,800	18,800	13,914
Miscellaneous	2,000	2,000	14,602	12,602	30,519
Total miscellaneous	<u>52,900</u>	<u>52,900</u>	<u>139,879</u>	<u>86,979</u>	<u>131,106</u>
Total Revenues	<u>1,716,310</u>	<u>1,716,310</u>	<u>2,001,234</u>	<u>284,924</u>	<u>2,172,876</u>

City of Cologne, 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
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personal services	\$ 15,335	\$ 15,335	\$ 15,885	\$ (550)	\$ 10,394
Other services and charges	-	-	-	-	22
Total mayor and city council	<u>15,335</u>	<u>15,335</u>	<u>15,885</u>	<u>(550)</u>	<u>10,416</u>
Financial services					
Personal services	248,058	248,058	138,794	109,264	260,725
Supplies	11,000	11,000	15,235	(4,235)	6,157
Other services and charges	54,150	54,150	(40,254)	94,404	60,828
Total financial services	<u>313,208</u>	<u>313,208</u>	<u>113,775</u>	<u>199,433</u>	<u>327,710</u>
Elections					
Personal services	4,190	4,190	3,621	569	-
Supplies	1,500	1,500	339	1,161	548
Other services and charges	2,500	2,500	1,190	1,310	92
Total elections	<u>8,190</u>	<u>8,190</u>	<u>5,150</u>	<u>3,040</u>	<u>640</u>
Assessor	<u>14,000</u>	<u>14,000</u>	<u>16,022</u>	<u>(2,022)</u>	<u>15,911</u>
Legal and Accounting	<u>25,000</u>	<u>25,000</u>	<u>35,262</u>	<u>(10,262)</u>	<u>51,106</u>
Engineering	<u>70,000</u>	<u>70,000</u>	<u>22,913</u>	<u>47,087</u>	<u>106,196</u>
Planning and Zoning	<u>35,000</u>	<u>35,000</u>	<u>20,189</u>	<u>14,811</u>	<u>50,303</u>
City buildings					
Other services and charges	<u>32,965</u>	<u>32,965</u>	<u>32,580</u>	<u>385</u>	<u>31,904</u>
Total general government	<u>513,698</u>	<u>513,698</u>	<u>261,776</u>	<u>251,922</u>	<u>594,186</u>
Public safety					
Police					
Other services and charges	<u>165,000</u>	<u>165,000</u>	<u>168,541</u>	<u>(3,541)</u>	<u>103,504</u>
Total police	<u>165,000</u>	<u>165,000</u>	<u>168,541</u>	<u>(3,541)</u>	<u>103,504</u>
Fire					
Personal services	95,203	95,203	78,348	16,855	100,848
Supplies	53,250	53,250	50,939	2,311	51,003
Other services and charges	124,830	124,830	127,047	(2,217)	166,272
Total fire	<u>273,283</u>	<u>273,283</u>	<u>256,334</u>	<u>16,949</u>	<u>318,123</u>
Building inspection					
Other services and charges	<u>24,000</u>	<u>24,000</u>	<u>32,370</u>	<u>(8,370)</u>	<u>63,919</u>
Total public safety	<u>462,283</u>	<u>462,283</u>	<u>457,245</u>	<u>5,038</u>	<u>485,546</u>
Public works					
Streets and other					
Personal services	82,524	82,524	87,038	(4,514)	98,275
Supplies	27,000	27,000	27,800	(800)	26,344
Other services and charges	193,750	193,750	150,171	43,579	438,987
Total streets and other	<u>303,274</u>	<u>303,274</u>	<u>265,009</u>	<u>38,265</u>	<u>563,606</u>

City of Cologne, 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
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Street lighting					
Other services and charges	\$ 24,000	\$ 24,000	\$ 23,813	\$ 187	\$ 27,079
Total public works	<u>327,274</u>	<u>327,274</u>	<u>288,822</u>	<u>38,452</u>	<u>590,685</u>
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Parks and recreation					
Personal services	69,630	69,630	75,997	(6,367)	77,189
Supplies	6,000	6,000	3,539	2,461	5,187
Other services and charges	55,330	55,330	49,065	6,265	46,518
Total park and recreation	<u>130,960</u>	<u>130,960</u>	<u>128,601</u>	<u>2,359</u>	<u>128,894</u>
Community center					
Personal services	21,780	21,780	24,415	(2,635)	25,880
Supplies	8,000	8,000	11,727	(3,727)	9,457
Other services and charges	83,315	83,315	89,326	(6,011)	101,403
Total community center	<u>113,095</u>	<u>113,095</u>	<u>125,468</u>	<u>(12,373)</u>	<u>136,740</u>
Total parks and recreation	<u>244,055</u>	<u>244,055</u>	<u>254,069</u>	<u>(10,014)</u>	<u>265,634</u>
Economic development					
Community development					
Other services and charges	7,000	7,000	9,943	(2,943)	6,308
Total current	<u>1,554,310</u>	<u>1,554,310</u>	<u>1,271,855</u>	<u>282,455</u>	<u>1,942,359</u>
Capital outlay					
General government	5,000	5,000	660	4,340	-
Public safety	22,000	22,000	180,385	(158,385)	77,508
Public works	110,000	110,000	168,978	(58,978)	1,923,128
Culture and recreation	25,000	25,000	109,214	(84,214)	261,735
Total capital outlay	<u>162,000</u>	<u>162,000</u>	<u>459,237</u>	<u>(297,237)</u>	<u>2,262,371</u>
Expenditures (Continued)					
Debt service					
Interest and other charges	-	-	-	-	83,170
Total Expenditures	<u>1,716,310</u>	<u>1,716,310</u>	<u>1,731,092</u>	<u>(14,782)</u>	<u>4,287,900</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	-	-	270,142	270,142	(2,115,024)
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	-	2,610,000
Bond premium	-	-	-	-	86,980
Sale of capital assets	-	-	5,175	5,175	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,175</u>	<u>5,175</u>	<u>2,696,980</u>
Net Change in Fund Balances	-	-	275,317	275,317	581,956
Fund Balances, January 1	<u>3,007,033</u>	<u>3,007,033</u>	<u>3,007,033</u>	<u>-</u>	<u>2,425,077</u>
Fund Balances, December 31	<u>\$ 3,007,033</u>	<u>\$ 3,007,033</u>	<u>\$ 3,282,350</u>	<u>\$ 275,317</u>	<u>\$ 3,007,033</u>

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

	Total		Percent Increase (Decrease)
	2024	2023	
Revenues			
Taxes	\$ 1,816,243	\$ 1,728,119	5.10 %
Licenses and permits	115,569	150,408	(23.16)
Intergovernmental	402,258	468,324	(14.11)
Charges for services	238,972	303,002	(21.13)
Fines and forfeits	2,934	2,828	3.75
Special assessments	123,681	131,870	(6.21)
Interest on investments	62,544	64,782	(3.45)
Miscellaneous	139,879	131,106	6.69
	<u>\$ 2,902,080</u>	<u>\$ 2,980,439</u>	(2.63) %
Total Revenues	<u>\$ 2,902,080</u>	<u>\$ 2,980,439</u>	(2.63) %
Per Capita	<u>\$ 1,371</u>	<u>\$ 1,445</u>	(5.11) %
Expenditures			
Current			
General government	\$ 261,776	\$ 594,186	(55.94) %
Public safety	457,245	485,546	(5.83)
Public works	288,822	590,685	(51.10)
Culture and recreation	254,069	265,634	(4.35)
Economic development	9,943	6,308	57.63
Capital outlay			
General government	660	-	100.00
Public safety	180,385	77,508	132.73
Public works	168,978	1,923,128	(91.21)
Culture and recreation	109,214	261,735	(58.27)
Economic development	15,708	10,189	54.17
Debt service			
Principal	572,000	555,000	3.06
Interest and other charges	288,567	289,808	(0.43)
	<u>\$ 2,607,367</u>	<u>\$ 5,059,727</u>	(48.47) %
Total Expenditures	<u>\$ 2,607,367</u>	<u>\$ 5,059,727</u>	(48.47) %
Per Capita	<u>\$ 1,232</u>	<u>\$ 2,454</u>	(49.78) %
Total Long-term Indebtedness	\$ 9,762,000	\$ 10,334,000	(5.54) %
Per Capita	4,613	5,012	
General Fund Balance - December 31	\$ 3,282,350	\$ 3,007,033	9.16 %
Per Capita	1,551	1,458	

The purpose of this report is to provide a summary of financial information concerning the City of Cologne to interested citizens. The complete financial statements may be examined at City Hall, 1211 Village Parkway PO Box 120, Cologne MN 55322. Questions about this report should be directed to Michelle Morrison, City Administrator at

OTHER REQUIRED REPORTS

CITY OF COLOGNE  
COLOGNE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2024

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

Honorable Mayor and City Council  
City of Cologne, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cologne, Minnesota (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated April 1, 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.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



**Abdo**  
Minneapolis, Minnesota  
April 1, 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 Cologne, 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 Cologne, 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 April 1, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency. We consider items 2024-001, 2024-002, 2024-003, and 2024-004 to be significant deficiencies.

**Compliance and Other Matters**

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

## The City's Response to Findings

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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  
April 1, 2025



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

<u>Finding</u>	<u>Description</u>
<b>2024-001</b>	<b>Limited Segregation of Duties</b>
<i>Condition:</i>	During our audit we reviewed procedures over cash receipts, cash disbursements, payroll, financial reporting, and capital assets and found the City to have limited segregation of duties over those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	One employee of the City (City Clerk/Treasurer) is responsible for all four general categories in the transaction cycles listed above.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and error.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. It is important that the City Council is aware of this condition and monitor all financial information.
<i>Management Response:</i>	
	Management recognizes that it is not economically feasible to correct this finding, however is aware of the deficiency and is relying on oversight by management and the City Council to monitor this deficiency.

City of Cologne, 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>Preparation of Financial Statements</b>
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. 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 financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization 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.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. While the City is reviewing the financial statements, we recommend that the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

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

<u>Finding</u>	<u>Description</u>
<b>2024-003</b>	<b>Internal Control Deficiencies - Processing Payroll</b>
<i>Condition:</i>	During our audit, we noted deficiencies in the City's system of internal controls surrounding processing payroll. The City's internal controls failed to detect errors in reporting to PERA.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	Unknown
<i>Effect:</i>	The effect of deficiencies in internal controls can result in undetected errors in financial reporting. During the year PERA payments and withholdings were made for wages not eligible for PERA.
<i>Recommendation:</i>	We recommend current policies and procedures be revised to ensure proper reconciling and monitoring procedures are in place for future processing of payroll.
<i>Management Response:</i>	
	The City agrees with the finding and will review the payroll processing transaction cycle procedures to ensure the deficiency in control does not happen in future years.
<b>2024-004</b>	<b>Quarterly Reports and Monitoring</b>
<i>Condition:</i>	During our audit, we noted that City Council is not consistently receiving or reviewing financial reports to monitor the financial health of the City.
<i>Criteria:</i>	The City Council is ultimately responsible for overseeing financial reporting. Reviewing accounting reports, including budget verse actual reports, for all funds is important in making all financial decisions. It is also important from a monitoring standpoint since there is limited segregation of duties.
<i>Cause:</i>	The budget reports did not appear to be included in the City Council packet on a monthly or quarterly basis.
<i>Effect:</i>	Without formal approval, the City Council appears to have not been provided with sufficient information throughout the year to analyze and monitor activity.
<i>Recommendation:</i>	We recommend that City Council formally receive and closely review report quarterly at a minimum, including budget verse actual as well as cash balances for each fund compared to the previous quarter.
<i>Management Response:</i>	
	The City agrees with the finding and will review the financial reporting transaction cycle to ensure the deficiency in control does not happen in future years.