

New Issue

S & P Global Rating Requested

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Such interest is includable in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. (See "TAXABILITY OF INTEREST" herein.)

\$3,760,000

City of Welcome, Minnesota

General Obligation Improvement and Utility Revenue Bonds, Series 2025A

PURPOSE/AUTHORITY: The \$3,760,000 General Obligation Improvement and Utility Revenue Bonds, Series 2025A (the "Bonds") are being issued by the City of Welcome, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429, 444, and 475 to finance the City's 2025 Street and Utility Reconstruction Project (the "Project"). The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The City pledges tax levies, revenues from its water and wastewater utilities, and special assessments to benefited properties to make the semi-annual payments.

BID OPEN & AWARD: Tuesday, June 3, 2025; Open 11:00 A.M. CST; Award 6:00 P.M. CST.

DATED DATE: June 17, 2025

MATURITY: The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$ 130,000	2034	\$ 165,000	2041	\$ 215,000
2028	135,000	2035	170,000	2042	225,000
2029	140,000	2036	180,000	2043	235,000
2030	145,000	2037	185,000	2044	245,000
2031	150,000	2038	195,000	2045	255,000
2032	155,000	2039	200,000	2046	270,000
2033	160,000	2040	205,000		

INTEREST: February 1, 2026, and each August 1 and February 1 thereafter.

MATURITY AGREEMENT: The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each.

CALL DATE: February 1, 2032

MINIMUM BID: \$3,707,360.00 (98.6%)

TAX STATUS: Tax-exempt; bank-qualified

GOOD FAITH DEPOSIT: \$75,200 payable to the City on the sale date

CLOSING/ DELIVERY DATE: On or about June 17, 2025

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota. This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.



DDA

David Drown Associates, Inc.
Public Finance Advisors

Minneapolis Office:
5029 Upton Avenue South
Minneapolis, MN 55419-1126
612-920-3320 (phone); 612-605-2375 (fax)
www.daviddrown.com

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this POS constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

COMPLIANCE WITH S.E.C. RULE 15C-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Bonds, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF WELCOME, MINNESOTA

City of Welcome City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Dan Schmidtke	Mayor	12/31/2026
Kim Holm	Council Member	12/31/2026
Elroy Glidden	Council Member	12/31/2028
Jon Auringer	Council Member	12/31/2028
Lynda Stauter	Council Member	12/31/2026

Administration

Jody Hemann	City Clerk-Treasurer	Appointed
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Bond Counsel

Fryberger, Buchanan, Smith & Frederick, P.A.
Duluth, MN

Municipal Advisor

David Drown Associates, Inc.
Minneapolis, MN

INTRODUCTORY SUMMARY OF THE PRELIMINARY OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the \$3,760,000 General Obligation Improvement and Utility Revenue Bonds, Series 2025A, of City of Welcome, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.

Issuer:	City of Welcome, Minnesota
Sale Date & Time:	Tuesday, June 3, 2025, 11:00 A.M. Central
Award Date & Time:	Tuesday, June 3, 2025; 6:00 P.M. Central
Dated Date/Closing:	June 17, 2025
Interest Payments:	February 1, 2026, and each August 1 and February 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the "Record Date").
Principal Payments:	February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$ 130,000	2034	\$ 165,000	2041	\$ 215,000
2028	135,000	2035	170,000	2042	225,000
2029	140,000	2036	180,000	2043	235,000
2030	145,000	2037	185,000	2044	245,000
2031	150,000	2038	195,000	2045	255,000
2032	155,000	2039	200,000	2046	270,000
2033	160,000	2040	205,000		

Rating:	The City <i>has</i> requested a rating from S & P Global Rating.
Maturity Adjustment:	The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale in increments of \$5,000 each.
Continuing Disclosure:	Limited continuing disclosure
Security:	The City pledges tax levies, water and wastewater revenues, and special assessments to benefitted properties to make the semi-annual payments.
Purpose:	Proceeds will finance the City's 2025 street and utility reconstruction project.
Authority:	Minnesota Statutes, Chapters 429, 444, and 475
Optional Redemption:	Bonds are callable on February 1, 2032
Tax Status:	Tax-exempt, bank-qualified
Legal Opinion:	Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota
Municipal Advisor:	David Drown Associates, Inc., Minneapolis, Minnesota
Closing/Delivery:	On or about June 17, 2025

Questions regarding the Bonds or the Preliminary Official Statement can be directed to and additional copies of the Preliminary Official Statement and the City's audited financial reports can be obtained from the City's Municipal Advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612-920-3320).

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TERMS OF OFFERING

City of Welcome, Minnesota

\$3,760,000

General Obligation Improvement and Utility Revenue Bonds, Series 2025A

(BOOK ENTRY ONLY)

TERMS OF PROPOSAL

Proposals for the Bonds will be received on Tuesday, June 3, 2025 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 6:00 P.M., Central Time, on that same date.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 11:00 A.M., Central Time on June 3, 2025. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 A.M., Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact David Drown Associates, Inc. or PARITY® at (212) 806-8304.

Neither the City of Welcome nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated June 17, 2025, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2026. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$ 130,000	2037	\$ 185,000
2028	135,000	2038	195,000
2029	140,000	2039	200,000
2030	145,000	2040	205,000
2031	150,000	2041	215,000
2032	155,000	2042	225,000
2033	160,000	2043	235,000
2034	165,000	2044	245,000
2035	170,000	2045	255,000
2036	180,000	2046	270,000

TERM BOND OPTION

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name U.S. Bank Trust Company, National Association, St. Paul, MN, as registrar for the Bonds. U.S. Bank Trust Company, National Association shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will also pledge special assessments against benefitted properties as well as revenues from the City's water and wastewater utilities. The proceeds of the Bonds will provide financing for the 2025 Street and Utility Reconstruction Project.

TYPE OF PROPOSALS

Proposals shall be for not less than \$3,707,360.00 (98.60%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$75,200 by 3:00 P.M., Central Time on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The proposals will be evaluated on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal, which the City determines to have failed to comply with the terms herein.

ISSUE PRICE DETERMINATION

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

- i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- ii. all bidders shall have an equal opportunity to submit a bid;
- iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown

Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser. Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking where under the City will covenant to provide, or cause to be provided annual financial information, including audited financial statements of the City, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5). A description of the City's undertaking is set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 25 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each

Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated April 15, 2025

BY ORDER OF THE CITY COUNCIL

/s/ Jody Hemann
City Clerk-Treasurer

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OFFICIAL STATEMENT

CITY OF WELCOME, MINNESOTA

\$3,760,000 General Obligation Improvement and Utility Revenue Bonds, Series 2025A

INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of \$3,760,000 General Obligation Improvement and Utility Revenue Bonds, Series 2025A (the “Bonds”) by City of Welcome, Minnesota (the “City”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Jody Hemann, City Clerk-Treasurer, City of Welcome, 102 South Dugan, Welcome, MN 56181-0072 or by telephoning (507) 728-8740.

Limited Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”) the City will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the “Certificate”) in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only “obligated person” with respect to the Bonds within the meaning of the Rule.

The City has made all limited continuing disclosure filings in a timely manner with one exception. The 2020 Audit was not filed as required. As soon as this oversight was realized the Audit was filed along with the required notices. The City is aware of its continuing disclosure requirements.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 429, 444, and 475 for the purpose of financing the City’s 2025 Street and Utility Reconstruction Project.

Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ 3,760,000	Project Costs	\$ 3,848,981
Construction Fund Earnings	14,986	Underwriter’s Discount (1.40%)	52,640
	<u>239,000</u>	Capitalized Interest	55,850
		Issuance & Legal	<u>56,515</u>
Totals	\$ 4,013,986	Total	\$ 4,013,986

Payment and Security

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. The City pledges tax levies, water and wastewater revenues, and special assessments from benefitted properties to make the semi-annual payments.

Optional Redemption

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

Rating

The City *has* requested a rating on this issue from S & P Global Ratings, Inc. Such a rating, when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from S & P Global Ratings, Inc. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Taxability of Interest

At closing, Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

At closing, Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. Gross Income: the Bonds, as of their date of issuance, bear interest which is excluded from gross income for purposes of federal income taxation and from taxable net income of individuals, estates or trusts for purposes of Minnesota income taxation. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.
2. Alternative Minimum Tax: interest on the Bonds is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.
3. Compliance: the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS.

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

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Other Federal Tax Considerations

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Risk Factors

Following is a description of possible risks to holders of these Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue be insufficient.

State Actions Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy property taxes.

Continuing Disclosure A failure by the City to comply with the Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

Details of Certain Terms

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the month prior to the interest payment date (the "Record Date").

Original Issue Discount

Original Issue Discount Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Original Issue Premium Bonds ("Premium Bonds") may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Premium Bonds should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Term Bond Option

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds; provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. “Qualified tax-exempt obligations” are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a “banking organization” within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York State Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on files with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued or as an option upon the transfer of an entire maturity.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issue or Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

Future Financing

The City is not currently planning any additional financing in the next six (6) months.

Legality

The Bonds are subject to approval as to certain matters by Fryberger, Buchanan, Smith & Frederick P.A. of Duluth, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the Bonds, except for statements under “Taxability of Interest” herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as “Appendix B – PROPOSED FORM OF LEGAL OPINION,” and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full Martin County Auditor's Certificate for taxes payable in 2025 found under Appendix A.

TRENDS IN VALUATIONS

Trends in Valuations

<u>Year</u>	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2024/25	n/a	\$ 87,843,000	\$ 80,234,607	\$ 1,215,054
2023/24	\$ 87,522,540	78,599,200	72,656,906	1,136,704
2022/23	78,258,519	73,455,800	67,512,070	1,072,458
2021/22	69,555,687	65,991,900	60,225,100	985,695
2020/21	69,450,144	65,051,500	59,500,800	975,317
2019/20	65,481,421	62,036,600	56,749,400	951,156
2018/19	n/a	60,862,300	55,555,500	934,244

CASH AND INVESTMENTS

(as of March 31, 2025)

<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 1,168,835
Special	326,770
Debt Service	773,731
Capital	1,387,227
Enterprise	<u>921,334</u>
Total	\$ 4,577,897

CITY INDEBTEDNESS

(as of 05/01/2025)

Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	\$ 2,635,290
Less: Outstanding Debt Subject to Limit	<u>0</u>
Legal Debt Margin as of 05/01/2025	\$ 2,635,290

General Obligation Debt Supported by Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
06/17/2025	\$ 2,310,000	Improvement Portion, This Issue	02/01/2046	\$ 2,310,000
07/10/2020	1,259,000	Improvement Refunding	02/01/2031	711,000
06/04/2019	1,395,000	Improvements Portion, 2019A	02/01/2031	<u>1,110,000</u>
Total				\$ 4,131,000

General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
06/17/2025	\$ 1,450,000	Utility Revenue Portion, This Issue	02/01/2046	\$ 1,450,000
09/01/2020	1,500,000	Housing Revenue	05/01/2041	1,267,000
06/04/2019	1,535,000	Utility Revenue Portion 2019A	02/01/2031	1,220,000
12/26/2017	789,200	Water Revenue	02/01/2031	504,000
08/10/2011	753,307	Sewer Revenue	08/20/2031	<u>287,000</u>
Total				\$ 4,728,000

Summary of Direct Debt (Gross)

	<u>Gross Debt</u>	<u>Less: Debt Funds</u>	<u>Net Direct Debt</u>
GO Debt Supported by Assessments	\$ 4,131,000	\$ -	\$ 4,131,000
GO Debt Supported by Revenues	<u>4,728,000</u>	<u>-</u>	<u>4,728,000</u>
Total	\$ 8,859,000	\$ -	\$ 8,859,000

Overlapping Debt

<u>Taxing Unit</u>	<u>2023/24 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Martin County	\$ 63,264,724	1.92%	\$ 23,586,000	\$ 452,990
School District 2448	21,896,262	5.55%	5,875,000	<u>326,012</u>
Total				\$ 799,002

* Includes all general obligation debt through December 31, 2024

Debt Ratios

	Net G.O. Debt	Debt/Economic Market Value \$ 87,522,540	Debt per Capita 710
Net Direct G.O. Debt*	\$ 4,131,000	4.72%	\$ 5,818
Net Direct and Overlapping GO Debt	4,910,002	5.61%	6,915

** Excludes all GO debt supported by revenues.*

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Annual Debt Service Payments

GO Debt Supported by Special Assessments				GO Debt Supported by Revenues		
Year	Principal	Payment	% Retired	Principal	Payment	% Retired
2025	\$ -	\$ 23,833	0%	\$ 40,000	\$ 75,179	1%
2026	173,000	320,862	4%	213,000	345,329	5%
2027	255,000	387,005	10%	270,000	390,811	11%
2028	267,000	392,752	17%	273,000	388,304	17%
2029	270,000	389,209	23%	279,000	388,586	23%
2030	277,000	389,359	30%	287,000	390,525	29%
2031	284,000	389,138	37%	294,000	391,098	35%
2032	165,000	263,766	41%	258,000	348,348	40%
2033	175,000	268,140	45%	261,000	244,751	46%
2034	175,000	262,178	49%	273,000	349,795	52%
2035	185,000	265,864	54%	275,000	344,480	58%
2036	190,000	263,988	58%	282,000	343,812	64%
2037	195,000	261,691	63%	288,000	341,770	70%
2038	205,000	264,005	68%	256,000	301,559	75%
2039	215,000	265,836	73%	258,000	295,253	81%
2040	215,000	259,051	79%	270,000	302,383	86%
2041	130,000	165,320	82%	176,000	202,131	90%
2042	140,000	169,583	85%	85,000	103,681	92%
2043	145,000	168,526	89%	90,000	104,963	94%
2044	150,000	167,183	92%	95,000	105,984	96%
2045	155,000	165,549	96%	100,000	106,743	98%
2046	165,000	168,589	100%	105,000	107,284	100%
	\$ 4,131,000	\$ 5,671,425		\$ 4,728,000	\$ 6,072,768	

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GENERAL INFORMATION

The City of Welcome is located in Martin County in the south-central portion of Minnesota. The City is approximately 160 miles southwest of Minneapolis, and 10 miles west of Fairmont, MN. Access to the City is available via Interstate 90.

Organization

The City was organized in 1890 and is a Statutory City Plan A city and currently operates under the Mayor-Council form of government. The City Council is composed of a mayor and four Council members. The Mayor and Council Members are elected at-large. The present Council is comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Dan Schmidtke	Mayor	12/31/2026
Kim Holm	Council Member	12/31/2026
Elroy Glidden	Council Member	12/31/2028
Jon Auringer	Council Member	12/31/2028
Lynda Stauter	Council Member	12/31/2026

Jody Hemann is the appointed City Clerk Treasurer and is responsible for administering Council policy on a day-to-day basis. The City has three (3) full-time and two (2) part-time employees in the departments of Administration and public works. In addition, the City police department (which is jointly operated with Sherburn) has three (3) full-time and one (1) part-time officers. A volunteer fire department includes 24 part-time individuals.

City Services

The City water utility has two (2) wells. The pumping capacity is 205 gallons per minute. The average demand is 60,000 gallons per day with a peak demand of 212,400 gallons per day. The elevated storage capacity is 60,000 gallons. There are 326 users connected to the system.

The sanitary sewer system includes an activated sludge system. The treatment capacity is 325,000 gallons per day with an average demand of 70,000 gallons per day. The peak demand is 503,000 gallons per day. 322 users connect to the system.

The City has two (2) parks as well as the Fox Lake Sports Complex which includes softball and baseball fields as well as a concession stand.

Employee Pensions

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan and are covered by Social Security. The City contribution to PERA for the year ended December 31, 2024 was \$15,347.

Census Data

Population Trends

	<u>Population</u>
2010 U.S. Census	686
2020 U.S. Census	710
<i>Source: U.S. Census Bureau</i>	

Income and Housing Statistics

	<u>City of Welcome</u>	<u>Martin County</u>	<u>State of Minnesota</u>
2023 per Capita Income	\$ 24,489	\$ 37,466	\$ 46,530
2023 Median Household Income	55,357	62,969	85,086
Percent Living in Poverty	13.2%	11.1%	9.3%
Median Value of Owner-Occupied Housing	\$ 91,300	\$ 158,800	\$ 328,600
<i>Source: U.S. Census Bureau</i>			

Employment Data

	<u>Labor Force Martin County</u>	<u>Unemployment Rate Martin Co.</u>	<u>Statewide</u>
February, 2025	10,396	3.9%	3.9%
February, 2024	10,096	3.5%	3.6%
<i>Source: MN Dept. of Employment & Economic Development</i>			

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u># of Employees</u>
Valero Renewables	Ethanol production	70
Easy Automation	Software/Tech feed systems	40
WFS	Grain elevator	10
NuWay	Fertilizer/herbicide	10
FREA	Electrical service	7
Casey's General Store	Gas/convenience store	6
Welcome State Bank	Banking	6
Welcome Meats	Meat locker	5

Building Permits

<u>Year</u>	<u># of Commercial/ Industrial Permits</u>	<u># of Residential Permits</u>	<u># of Other Permits</u>	<u>Total Value of Permits</u>
2025*	0	0	-	\$ 0
2024	0	1	-	100,000
2023	1	2	-	110,000
2022	2	4	-	652,000
2021	1	8	-	981,650
2020	2	5	-	634,214

*Source: City Records as of 4/11/2025***Commercial/Industrial Development**

The City had the following commercial development over \$50,000 in the last 3 years:

<u>Name of Business</u>	<u>Product/Service</u>	<u>Type of Building</u>	<u>(estimated) Cost of Project</u>
Forsberg Drainage	Storage Buildings	Storage Buildings	\$ 550,000

Source: City Records

Financial Services

The Welcome State Bank reported deposits of \$33,914,000 as of June 30, 2024.

Source: FDIC Summary of Deposits

Utilities

The City is provided electrical through Federated Rural Electric and natural gas services by Minnesota Energy Resources.

Communications

The City's website is www.welcomemn.govoffice2.com

BevComm provides cable television within the City. Local internet access is also available. The City's official newspaper is the Martin County Star, which publishes weekly on Wednesday.

APPENDIX A

COUNTY AUDITOR'S CERTIFICATE

The following pages contain a copy of the Martin County Auditor's Certificate for taxes payable in 2025.

CERTIFICATE AS TO TAXES AND TAXABLE
PROPERTY IN CITY OF WELCOME
(Herein called the "TAXING DISTRICT")

I hereby certify that the TAXING DISTRICT is situated partly in this County and that:

1. **CURRENT VALUATION** - The taxable market values and net tax capacities of all taxable property in the TAXING DISTRICT in this county as assessed in 2024 for the purpose of computing the rates of taxes collectible in 2025 are as follows:

Property Type	Estimated Market value	Taxable Market value	Net Tax Capacity
Real Estate:			
Residential Homestead (Class 1a, 1b)	35,573,800	28,503,659	284,808
Agricultural (Class 1b, 1d, 2a, 2b, 2c)	2,120,500	2,060,248	17,939
Commerical & Industrial (Class 3a, 3b, 4c(3)i, 4c(3)ii, 5(1)):			
Public Utility	25,100	25,100	502
Railroad Operating Property	970,100	970,100	18,695
All Other Commerical-Industrial	41,510,200	41,510,200	812,924
Residential Non-Homestead (Class 4a,4b(1-4),4bb,4c(2-5,6-9),4d)	6,959,200	6,025,400	59,551
Seasonal Recreational-Residential (Class 1c, 4c1, 4c5, 4c(10) 4c(12))	186,200	186,200	2,206
Other (Class 5(2))			
Total Real Estate	87,345,100	79,280,907	1,196,625
Total Personal Property	497,900	953,700	18,429
Total Real and Personal Property	87,843,000	80,234,607	1,215,054
Subtract: Tax Increment Captured Tax Capacity			0
10% Tax Capacity of 200KV Powerlines built after 7/1/74			0
Fiscal Disparity Contribution Value			
Local Tax Rate Determination Value			1,215,054
Add: Fiscal Disparity Distribution Value			0
Local Adjusted Taxable Value			1,215,054
Total Manufactured Home			

Homestead Exclusions

Real Estate	Personal Property	Manufactured Home
6,680,393	0	0

2. **VALUATION HISTORY** (Real & Personal Property)

Pay Year	EMV/ Taxable Market Value	Total Tax Capacity	Tax Increment Captured	10% Power Lines	Fiscal Disparity Contribution	Local Taxable Value	Fiscal Disparity Distribution	Homestead Exclusions/ Adjusted TCAP
2024	78,599,200							5,348,194
	72,656,906	1,136,704	0		N/A	1,136,704	N/A	1,136,704
2023	73,455,800							5,367,029
	67,512,071	1,072,458	0		N/A	1,072,458	N/A	1,072,458
2022	65,991,900							5,331,700
	60,225,100	985,695	0		N/A	985,695	N/A	985,695
2021	65,051,500							5,388,400
	59,500,800	975,317	0		N/A	975,317	N/A	975,317
2020	62,036,600							5,287,600
	56,749,400	951,156	0		N/A	951,156	N/A	951,156
2019	60,862,300							5,332,000
	55,555,500	934,244	0		N/A	934,244	N/A	934,244

3. **TEN LARGEST TAXPAYING PARCELS** - A list of the largest taxpaying parcels in the TAXING DISTRICT in this county is enclosed if requested.

4. **TAXING AUTHORITY AND RATE HISTORY** - The TAXING DISTRICT has the power to tax property situated in the following County or Counties: MARTIN COUNTY, MN

The following governmental units within this county also have the power to levy taxes in the TAXING DISTRICT:

Tax Rate History (Levy Year/Collection Year)										
Government Unit	2020/21		2021/22		2022/23		2023/24		2024/25	
	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val
COUNTY										
COUNTY OF MARTIN	40.010000	0.000000	41.335000	0.000000	38.074850	0.000000	30.804000	0.000000	35.460823	0.000000
MUNICIPALITY										
CITY OF WELCOME	116.800000	0.000000	118.459000	0.000000	109.459578	0.000000	108.884811	0.000000	107.740396	0.000000
****SCHOOL****										
MARTIN COUNTY WEST SC					6.430491	0.166338				
SCHOOL DISTRICT 2448	8.099000	0.225780	8.199000	0.214340			5.439709	0.163218	28.891666	0.170958
****SPECIAL****										
COUNTY WIDE	0.166000	0.000000	0.180000	0.000000	0.159562	0.000000	0.123025	0.000000	0.137869	0.000000
MULTI CO HRA	0.210000	0.000000	0.192000	0.000000	0.172335	0.000000	0.136536	0.000000	0.000000	0.000000

5. **BONDED INDEBTEDNESS** - The TAXING DISTRICT and all governmental units listed in section 4 having bonded debt, have such debt as shown below. Values shown are adjusted net tax capacities which have been adjusted for Fiscal Disparity Contribution and Distribution, Tax Increment Captured Tax Capacity, and Powerlines.

Government Unit	Taxable Net Tax Capacity of Entire Govt. Unit in County	Taxable Net Tax Capacity of Portion in TAXING DIST. in County	Bonded Debt as of 12/31/2024	2024/25 Debt Fund Tax Rate
****COUNTY****				
COUNTY OF MARTIN	63,264,724	1,215,054	23,586,000	3.72846
MUNICIPALITY				
CITY OF WELCOME	1,215,054	1,215,054	5,439,000	32.00821
****SCHOOL ****				
SCHOOL DISTRICT 2448	21,896,262	1,215,054	5,875,000	26.14626
****SPECIAL ****				
COUNTY WIDE	63,264,724	1,215,054		
MULTI CO HRA	63,264,724	1,215,054		

6. TAX LEVIES AND COLLECTION FOR YEAR: 2025

Levy/Coll Year	2020/21	2021/22	2022/23	2023/24	2024/25
Gross Levy	1,139,170.28	1,167,644.42	1,173,910.06	1,237,700.06	1,309,104.00
Cross County Levy	0.00	0.00	0.00	0.00	0.00
Net Gross Levy	0.00	0.00	0.00	0.00	0.00
Market Levy	0.00	0.00	0.00	0.00	0.00
Property Credits/Aids	-303.55	-304.98	-357.22	-453.34	-398.78
Net Tax Levy	1,138,866.73	1,167,339.44	1,173,552.84	1,237,246.72	1,308,705.22
Adjustments During Coll Year	-1,645.71	0.00	0.00	-1,698.60	0.00
Adjusted Tax Levy	1,137,221.02	1,167,339.44	1,173,552.84	1,235,548.12	0.00
Current Year Collections	-1,127,898.81	-1,154,340.25	-1,161,145.45	-1,225,217.29	0.00
Year End Delinquency	9,322.21	12,999.19	12,407.39	10,330.83	0.00
Delinquent Adjustments as of 12/31/24	-308.35	-312.72	-2,211.10	0.00	0.00
Delinquent Collections as of 12/31/24	-7,736.34	-10,802.95	-5,728.79	0.00	0.00
Amount of Delinquent as of 12/31/24	1,277.52	1,883.52	4,467.50	10,330.83	0.00

there are any questions regarding the completed certificate, please contact

Contact Person(s): Michael Forstner

Telephone: 507-238-3272

WITNESS My hand and official seal this 17th day of April, 2025.


COUNTY AUDITOR



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MARTIN COUNTY, MN
Top 10 Taxpayers List - Rank by Original Charges
DETAIL REPORT
For CITY OF WELCOME

PAGE: 1
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Rank	TaxPayer/ Parcel Number	City TIF Town	Schl Dist	Estimated Market Value	Taxable Market Value	Net Tax Capacity	Local Tax Capacity	Net Tax Payable	Property Classification
1	VALERO RENEWABLE FUELS CO LLC								
	R 420400280	1300	2448	23,200	23,200	464	464	972.00	3A INDUSTRIAL PREFERENTIAL
	R 420400450	1300	2448	1,271,300	1,271,300	25,426	25,426	53,238.40	3A INDUSTRIAL PREFERENTIAL
	R 420400455	1300	2448	29,430,700	29,430,700	587,864	587,864	1,230,311.66	3A INDUSTRIAL PREFERENTIAL
	R 420400460	1300	2448	275,300	275,300	5,506	5,506	11,528.00	3A INDUSTRIAL PREFERENTIAL
	R 420400465	1300	2448	65,600	65,600	1,312	1,312	2,747.32	3A INDUSTRIAL PREFERENTIAL
	R 420400470	1300	2448	1,029,600	1,029,600	20,592	20,592	43,116.00	3A INDUSTRIAL PREFERENTIAL
	R 420400475	1300	2448	4,800	4,800	96	96	202.00	3A INDUSTRIAL PREFERENTIAL
Total for VALERO RENEWABLE FUELS CO LLC				32,100,500	32,100,500	641,260	641,260	1,342,115.38	
2	NUWAY COOPERATIVE								
	R 420400285	1300	2448	2,002,800	2,002,800	39,306	39,306	81,715.00	3A INDUSTRIAL PREFERENTIAL
Total for NUWAY COOPERATIVE				2,002,800	2,002,800	39,306	39,306	81,715.00	
3	NUWAY COOPERATIVE								
	R 420400290	1300	2448	102,300	102,300	1,535	1,535	2,814.00	3A INDUSTRIAL PREFERENTIAL
	R 420400310	1300	2448	1,714,200	1,714,200	33,534	33,534	69,629.00	3A INDUSTRIAL PREFERENTIAL
Total for NUWAY COOPERATIVE				1,816,500	1,816,500	35,069	35,069	72,443.00	
4	WATONWAN FARM SERVICE CO								
	R 420400300	1300	2448	32,000	32,000	640	640	1,340.00	3A INDUSTRIAL PREFERENTIAL
	R 420400324	1300	2448	1,235,800	1,235,800	23,966	23,966	49,595.00	3A INDUSTRIAL PREFERENTIAL
Total for WATONWAN FARM SERVICE CO				1,267,800	1,267,800	24,606	24,606	50,935.00	
5	FEDERATED RURAL ELECTRIC ASSN								
	P 429990415	1300	2448	0	358,600	7,172	7,172	15,018.02	3A PP TOOLS AND MACHINERY
	P 429990415	1300	2448	129,100	129,100	1,937	1,937	3,551.98	3A PP URBAN C/I BLDGS PREF
	R 420400320	1300	2448	104,900	104,900	1,574	1,574	2,886.00	3A COMMERCIAL PREFERENTIAL
	R 421250026	1300	2448	633,900	633,900	11,928	11,928	24,390.44	3A INDUSTRIAL PREFERENTIAL
Total for FEDERATED RURAL ELECTRIC ASSN				867,900	1,226,500	22,611	22,611	45,846.44	
6	EASY AUTOMATION INC								
	R 422300170	1300	2448	714,900	714,900	13,548	13,548	27,782.60	3A INDUSTRIAL PREFERENTIAL
Total for EASY AUTOMATION INC				714,900	714,900	13,548	13,548	27,782.60	
7	UNION PACIFIC RAILROAD CO								
	R 429970010	1300	2448	687,700	687,700	13,047	13,047	26,766.00	3A RAILROAD PREFERENTIAL
Total for UNION PACIFIC RAILROAD CO				687,700	687,700	13,047	13,047	26,766.00	

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ASMT Year 2024

MARTIN COUNTY, MN
Top 10 Taxpayers List - Rank by Original Charges
DETAIL REPORT
For CITY OF WELCOME

TaxPayer/ Rank Parcel Number	TIF	City Town	Schl Dist	Estimated Market Value	Taxable Market Value	Net Tax Capacity	Local Tax Capacity	Net Tax Payable	Property Classification
8 WELCOME STORAGE LLC									
R 420400087		1300	2448	327,600	327,600	5,802	5,802	11,563.00	3A COMMERCIAL PREFERENTIAL
R 420400088		1300	2448	204,700	204,700	3,344	3,344	6,416.00	3A COMMERCIAL PREFERENTIAL
Total for WELCOME STORAGE LLC				532,300	532,300	9,146	9,146	17,979.00	
9 MINNESOTA ENERGY RESOURCES COR									
P 429990420		1300	2448	0	97,200	1,944	1,944	4,070.44	3A PP TOOLS AND MACHINERY
P 429990420		1300	2448	277,500	277,500	5,550	5,550	11,621.56	3A PP PU GAS UTILITIES PREF
Total for MINNESOTA ENERGY RESOURCES COR				277,500	374,700	7,494	7,494	15,692.00	
10 WELCOME STATE BANK									
R 425800480		1300	2448	412,300	412,300	7,496	7,496	15,111.00	3A COMMERCIAL PREFERENTIAL
Total for WELCOME STATE BANK				412,300	412,300	7,496	7,496	15,111.00	
Total:				40,680,200	41,136,000	813,583	813,583	1,696,385.42	

FRYBERGER

— LAW FIRM —

June 17, 2025

City of Welcome
102 South Dugan
Welcome, MN 56181

[PURCHASER]

**RE: City of Welcome, Minnesota
\$3,760,000 General Obligation Improvement & Utility Revenue Bonds,
Series 2025A**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Welcome, Martin County, Minnesota (the “Issuer”), of the above-referenced obligations dated the date hereof (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on June 3, 2025 authorizing the issuance and delivery of the Bonds (the “Resolution”);
2. the Officers’ Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the “Tax Certificate”);
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents and other materials we considered necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

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SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
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June 17, 2025

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certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

June 17, 2025

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2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors’ or secured creditors’ rights or laws relating to creditors’ or secured creditors’ rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no

June 17, 2025

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responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

LIMITED CONTINUING DISCLOSURE CERTIFICATE

This Limited Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Welcome, Minnesota (the “Issuer”) in connection with the issuance of the \$3,760,000 General Obligation Improvement & Utility Revenue Bonds, Series 2025A, dated June 17, 2025 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated June 3, 2025 (the “Resolution”). The Issuer certifies (i) that it is the only obligated person with respect to the Obligations; and (ii) that on the date hereof, the Issuer is an obligated person with respect to less than \$10,000,000 aggregate amount of outstanding municipal securities, including the Obligations, and thus limited continuing disclosure pursuant to subparagraph (d)(2) of the Rule is required. The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to

which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Preliminary Official Statement, dated _____, 2025, delivered in connection with the original issuance and sale of the Obligations, together with the final Official Statement, dated _____, 2025, and any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2024, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer’s financial information or operating data shall contain or consist of the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
 - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of ten business days after the occurrence of the event:

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of June 17, 2025.

CITY OF WELCOME, MINNESOTA

By _____
Mayor

By _____
Clerk-Treasurer

Appendix D

Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased

to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits **(Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.
12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

Levies for General Obligation Debt

(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution

(Chapter 473F, Minnesota Statutes) ("Fiscal Disparities Law")

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

Minnesota Property Class Rate Schedule

(current through taxes payable 2022)

Property Type	Taxes Payable Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential Homestead (1a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)	1.25%	1.25%	1.25%	1.25%	1.25%
Low-Income (4d)					
Up to \$115, 000 ⁴	0.75%	0.75%	0.75%	0.75%	0.75%
Over \$115, 000 ⁴	0.25%	0.25%	0.25%	0.25%	0.25%
Commercial/Industrial/Public Utility (3a)					
Up to \$150,000	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹
Over \$150,000	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to \$600,000	0.50%	0.50%	0.50%	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$2,300,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Seasonal Resorts (4c)					
Up to \$500,000	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹
Over \$500,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Non-Commercial (4c12)					
Up to \$500,000	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}
Over \$500,000	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}
Disabled Homestead (1b)					
Up to \$50,000	0.45%	0.45%	0.45%	0.45%	0.45%
Agricultural Land & Buildings					
Homestead (2a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to \$2,050,000 ⁴	0.50% ²	0.50% ²	0.50% ²	0.50% ²	0.50% ²
Over \$2,050,000 ⁴	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²
Non-homestead (2b)	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²

¹ Subject to the State General Property Tax.

² Exempt from referendum market value tax.

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

APPENDIX E
FINANCIAL STATEMENT

The City's financial statements are audited annually. The following pages contain a copy of the 2024 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

Burkhardt & Burkhardt, Ltd., the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Burkhardt & Burkhardt, Ltd. also has not performed any procedures relating to this offering document.

**CITY OF WELCOME
WELCOME, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2024**

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CITY OF WELCOME, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2024

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Schmidtke	Mayor	December 31, 2024
Elroy Glidden	Council Member	December 31, 2024
Kim Holm	Council Member	December 31, 2026
Eric Anderson	Council Member	December 31, 2024
Lynda Stauter	Council Member	December 31, 2026

APPOINTED

<u>Name</u>	<u>Title</u>
Jody Hemann	Clerk/Treasurer
Max Longley	Street Superintendent
Jay Mulso	Fire Chief
Edman & Edman	City Attorney



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: www.bnbcpas.com

Annandale Office:
35 Oak Ave. N, P.O. Box N
Annandale, MN 55302
P: 320.274.1040
F: 320.274.2260

Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
F: 507.387.5199

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Welcome, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Welcome, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Economic Development Authority 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Also, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, for the year ended December 31, 2024. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the pension liability schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

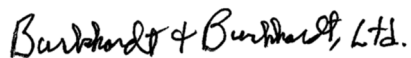
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information as listed in the table of contents under supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2023 financial statements and have expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, in our report dated April 16, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 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 City's internal control over financial reporting and compliance.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 15, 2025

BASIC FINANCIAL STATEMENTS

CITY OF WELCOME, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Cash Equivalents	\$ 2,716,987	\$ 436,097	\$ 3,153,084
Investments	2,550,782	0	2,550,782
Receivables:			
Accounts	7,455	38,394	45,849
Property Taxes	24,712	0	24,712
Notes, Net of Allowance	152,631	0	152,631
Due From Other Governments	368	0	368
Prepaid Expenses	39,243	16,050	55,293
Special Assessments	286,642	0	286,642
Net Pension Asset	47,481	0	47,481
Capital Assets not Being Depreciated	52,319	5,150	57,469
Other Capital Assets, Net of Depreciation	4,909,390	2,872,729	7,782,119
Equity Interest in Joint Venture	0	52,189	52,189
Total Assets	<u>10,788,010</u>	<u>3,420,609</u>	<u>14,208,619</u>
Deferred Outflows of Resources:			
Pension Deferments	<u>75,601</u>	<u>10,453</u>	<u>86,054</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 10,863,611</u></u>	<u><u>\$ 3,431,062</u></u>	<u><u>\$ 14,294,673</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accrued Expenses	\$ 56,847	\$ 34,933	\$ 91,780
Noncurrent Liabilities:			
Due Within One Year	239,402	145,497	384,899
Due in More than One Year	3,120,866	1,999,760	5,120,626
Net Pension Liability	<u>65,856</u>	<u>18,168</u>	<u>84,024</u>
Total Liabilities	<u>3,482,971</u>	<u>2,198,358</u>	<u>5,681,329</u>
Deferred Inflows of Resources:			
Pension Deferments	<u>83,145</u>	<u>21,705</u>	<u>104,850</u>
Net Position:			
Net Investment in Capital Assets	1,616,457	739,354	2,355,811
Restricted	2,301,408	0	2,301,408
Unrestricted	<u>3,379,630</u>	<u>471,645</u>	<u>3,851,275</u>
Total Net Position	<u>7,297,495</u>	<u>1,210,999</u>	<u>8,508,494</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 10,863,611</u></u>	<u><u>\$ 3,431,062</u></u>	<u><u>\$ 14,294,673</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 171,086	\$ 9,905	\$ 0	\$ 0
Public Safety	418,778	18,435	61,458	0
Public Works	484,180	1,521	0	32,344
Parks and Recreation	103,844	14,000	0	0
Economic Development	160,373	105,860	0	0
Interest on Long-term Debt	77,315	0	0	0
Total Governmental Activities	<u>1,415,576</u>	<u>149,721</u>	<u>61,458</u>	<u>32,344</u>
BUSINESS-TYPE ACTIVITIES:				
Water	186,120	167,752	0	0
Sewer	196,419	157,303	0	0
Storm Sewer	6,332	13,325	0	0
Total Business-type Activities	<u>388,871</u>	<u>338,380</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>\$ 1,804,447</u>	<u>\$ 488,101</u>	<u>\$ 61,458</u>	<u>\$ 32,344</u>

General Revenues:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Intergovernmental

Interest and Investments Earnings

Other Revenues

Transfers In (Out)

Total General Revenues

Change in Net Position

Net Position - January 1 (As Previously Stated)

Change in Accounting Principle

Net Position - January 1 (As Restated)

Net Position - December 31

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (161,181)	\$ 0	\$ (161,181)
(338,885)	0	(338,885)
(450,315)	0	(450,315)
(89,844)	0	(89,844)
(54,513)	0	(54,513)
(77,315)	0	(77,315)
<u>(1,172,053)</u>	<u>0</u>	<u>(1,172,053)</u>
0	(18,368)	(18,368)
0	(39,116)	(39,116)
0	6,993	6,993
<u>0</u>	<u>(50,491)</u>	<u>(50,491)</u>
<u>(1,172,053)</u>	<u>(50,491)</u>	<u>(1,222,544)</u>
847,019	0	847,019
347,071	45,490	392,561
174,897	0	174,897
172,292	15,459	187,751
73,133	2,856	75,989
(188,964)	188,964	0
<u>1,425,448</u>	<u>252,769</u>	<u>1,678,217</u>
<u>253,395</u>	<u>202,278</u>	<u>455,673</u>
7,078,016	1,016,600	8,094,616
<u>(33,916)</u>	<u>(7,879)</u>	<u>(41,795)</u>
<u>7,044,100</u>	<u>1,008,721</u>	<u>8,052,821</u>
<u>\$ 7,297,495</u>	<u>\$ 1,210,999</u>	<u>\$ 8,508,494</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024

	General	Revolving Loan	Economic Development Authority
ASSETS			
Cash and Cash Equivalents	\$ 446,204	\$ 400,247	\$ 50,687
Investments	2,329,058	200,424	21,300
Receivables:			
Interest	645	0	0
Franchise Fee	6,810	0	0
Property Taxes	24,712	0	0
Notes, Net of Allowance	0	152,631	0
Due From Other Governments	368	0	0
Prepaid Expenses	28,989	0	10,254
Special Assessments	15,153	0	0
TOTAL ASSETS	<u><u>\$ 2,851,939</u></u>	<u><u>\$ 753,302</u></u>	<u><u>\$ 82,241</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 7,771	\$ 0	\$ 413
Tenant Deposits	0	0	9,020
Accrued Wages	7,243	0	0
Total Liabilities	<u>15,014</u>	<u>0</u>	<u>9,433</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>35,012</u>	<u>0</u>	<u>0</u>
Fund Balance:			
Nonspendable	133,654	0	10,254
Restricted	0	753,302	0
Committed	0	0	62,554
Assigned	457,565	0	0
Unassigned	2,210,694	0	0
Total Fund Balance	<u>2,801,913</u>	<u>753,302</u>	<u>72,808</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,851,939</u></u>	<u><u>\$ 753,302</u></u>	<u><u>\$ 82,241</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Debt Service	Capital Projects	Nonmajor 2025 Street & Utility Improvement	Total Governmental Funds
\$ 1,204,351	\$ 615,003	\$ 495	\$ 2,716,987
0	0	0	2,550,782
0	0	0	645
0	0	0	6,810
0	0	0	24,712
0	0	0	152,631
0	0	0	368
0	0	0	39,243
271,489	0	0	286,642
<u>\$ 1,475,840</u>	<u>\$ 615,003</u>	<u>\$ 495</u>	<u>\$ 5,778,820</u>
\$ 0	\$ 0	\$ 0	\$ 8,184
0	0	0	9,020
0	0	0	7,243
<u>0</u>	<u>0</u>	<u>0</u>	<u>24,447</u>
267,320	0	0	302,332
0	0	0	143,908
1,208,520	0	0	1,961,822
0	0	0	62,554
0	615,003	495	1,073,063
0	0	0	2,210,694
<u>1,208,520</u>	<u>615,003</u>	<u>495</u>	<u>5,452,041</u>
<u>\$ 1,475,840</u>	<u>\$ 615,003</u>	<u>\$ 495</u>	<u>\$ 5,778,820</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2024

Total Fund Balances - Governmental Funds \$ 5,452,041

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	8,039,473
Less: Accumulated depreciation	(3,077,764)

Long-term liabilities, including bond premiums and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Bonds payable	(3,324,000)
Bond premiums	(21,251)
Compensated absences	(15,017)

Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.

Delinquent property taxes	19,859
Special assessments	282,473

Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance

Net pension liability - general employees retirement pension fund	(65,856)
Net Pension asset - volunteer firefighter's relief association	47,481

Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus, and therefore, have no effect on fund balance

Deferred outflows of resources related to pensions	75,601
Deferred inflows of resources related to pensions	(83,145)

Governmental funds do not report a liability for accrued interest payable until due and payable.

(32,399)

Total Net Position - Governmental Activities	<u><u>\$ 7,297,495</u></u>
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CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	General	Revolving Loan	Economic Development Authority
Revenues:			
Property Taxes	\$ 835,182	\$ 0	\$ 0
Franchise Fees	2,502	0	0
Special Assessments	1,356	0	0
Intergovernmental	268,113	0	0
Licenses and Permits	3,994	0	0
Charges for Services	16,485	0	0
Fines and Forfeitures	3,261	0	0
Rental Income	0	0	105,860
Other Revenues	25,760	0	491
Interest Earnings	103,128	24,454	1,818
Total Revenues	<u>1,259,781</u>	<u>24,454</u>	<u>108,169</u>
Expenditures:			
Current:			
General Government	184,454	0	0
Public Safety	346,565	0	0
Public Works	230,415	0	0
Parks and Recreation	78,235	0	0
Economic Development	0	0	34,597
Capital Outlay:			
General Government	1,833	0	0
Public Safety	4,053	0	0
Public Works	34,298	0	0
Parks and Recreation	21,303	0	0
Economic Development	0	0	49,892
Debt Service:			
Principal	0	0	60,000
Interest and Other Fees	0	0	28,874
Total Expenditures	<u>901,156</u>	<u>0</u>	<u>173,363</u>
Excess of Revenues Over (Under) Expenditures	<u>358,625</u>	<u>24,454</u>	<u>(65,194)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	50,500	0	0
Transfers In (Out)	(359,104)	824	87,316
Total Other Financing Sources (Uses)	<u>(308,604)</u>	<u>824</u>	<u>87,316</u>
Change in Fund Balance	50,021	25,278	22,122
Fund Balance - January 1	<u>2,751,892</u>	<u>728,024</u>	<u>50,686</u>
Fund Balance - December 31	<u>\$ 2,801,913</u>	<u>\$ 753,302</u>	<u>\$ 72,808</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Debt Service	Capital Projects	Nonmajor 2025 Street & Utility Improvement	Total Governmental Funds
\$ 347,071	\$ 10,777	\$ 0	\$ 1,193,030
0	0	0	2,502
41,349	0	0	42,705
0	0	0	268,113
0	0	0	3,994
0	0	0	16,485
0	0	0	3,261
0	0	0	105,860
0	0	0	26,251
808	42,084	0	172,292
<u>389,228</u>	<u>52,861</u>	<u>0</u>	<u>1,834,493</u>
0	0	0	184,454
0	0	0	346,565
0	0	0	230,415
0	0	0	78,235
0	0	0	34,597
0	0	0	1,833
0	0	0	4,053
0	0	81,505	115,803
0	0	0	21,303
0	0	0	49,892
170,000	0	0	230,000
51,713	0	0	80,587
<u>221,713</u>	<u>0</u>	<u>81,505</u>	<u>1,377,737</u>
<u>167,515</u>	<u>52,861</u>	<u>(81,505)</u>	<u>456,756</u>
0	0	0	50,500
0	0	82,000	(188,964)
<u>0</u>	<u>0</u>	<u>82,000</u>	<u>(138,464)</u>
167,515	52,861	495	318,292
<u>1,041,005</u>	<u>562,142</u>	<u>0</u>	<u>5,133,749</u>
<u>\$ 1,208,520</u>	<u>\$ 615,003</u>	<u>\$ 495</u>	<u>\$ 5,452,041</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

Net Change in Fund Balances - Governmental Funds	\$ 318,292
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	15,100
Depreciation expense	(330,015)

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. Neither transaction, however, has any effect on net position.

Principal repayments	230,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.

3,272

Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

Pension expense	19,370
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Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	1,060
Special Assessments	(28,119)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	24,436
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Change in Net Position - Governmental Activities	\$ <u>253,395</u>
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CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2024

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Property Taxes	\$ 818,000	\$ 835,182	\$ 17,182
Franchise Fees	2,000	2,502	502
Special Assessments	0	1,356	1,356
Intergovernmental	238,824	268,113	29,289
Licenses and Permits	4,000	3,994	(6)
Charges for Services	7,700	16,485	8,785
Fines and Forfeitures	2,000	3,261	1,261
Other Revenues	5,300	25,760	20,460
Interest and Dividends	34,000	103,128	69,128
Total Revenues	<u>1,111,824</u>	<u>1,259,781</u>	<u>147,957</u>
Expenditures:			
Current:			
General Government	138,925	184,454	45,529
Public Safety	363,995	346,565	(17,430)
Public Works	313,734	230,415	(83,319)
Parks and Recreation	72,050	78,235	6,185
Capital Outlay:			
General Government	3,500	1,833	(1,667)
Public Safety	100,000	4,053	(95,947)
Public Works	30,000	34,298	4,298
Park and Recreation	26,000	21,303	(4,697)
Total Expenditures	<u>1,048,204</u>	<u>901,156</u>	<u>(147,048)</u>
Excess of Revenues Over (Under) Expenditures	63,620	358,625	295,005
Other Financing Sources (Uses):			
Transfers Out	0	(359,104)	(359,104)
Sale of Capital Assets	0	50,500	50,500
Total Other Financing Sources (Uses)	<u>0</u>	<u>(308,604)</u>	<u>(308,604)</u>
Change in Fund Balance	<u>\$ 63,620</u>	50,021	<u>\$ (13,599)</u>
Fund Balance - January 1		<u>2,751,892</u>	
Fund Balance - December 31		<u>\$ 2,801,913</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT AUTHORITY
For The Year Ended December 31, 2024

	Original and Final Budget	Actual Amount	Over (Under) Budget
Revenues:			
Charges for Services	\$ 106,780	\$ 105,860	\$ (920)
Other Revenues	3,500	491	(3,009)
Interest and Dividends	1,000	1,818	818
Total Revenues	<u>111,280</u>	<u>108,169</u>	<u>(3,111)</u>
Expenditures:			
Current:			
Economic Development	33,050	34,597	1,547
Capital Outlay:			
Economic Development	0	49,892	49,892
Debt Service:			
Principal	60,000	60,000	0
Interest and Fees	28,874	28,874	0
Total Expenditures	<u>121,924</u>	<u>173,363</u>	<u>51,439</u>
Excess of Revenues Over (Under) Expenditures	(10,644)	(65,194)	(54,550)
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>87,316</u>	<u>87,316</u>
Change in Fund Balance	<u>\$ (10,644)</u>	22,122	<u>\$ 32,766</u>
Fund Balance - January 1		<u>50,686</u>	
Fund Balance - December 31		<u>\$ 72,808</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
ASSET AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	\$ 45,258	\$ 357,649	\$ 33,190	\$ 436,097
Receivables:				
Accounts	18,871	18,128	1,395	38,394
Prepaid Expenses	4,834	11,216	0	16,050
Total Current Assets	68,963	386,993	34,585	490,541
Noncurrent Assets:				
Land	5,150	0	0	5,150
Distribution System	3,042,081	2,022,534	0	5,064,615
Equipment	100,339	74,981	0	175,320
Accumulated Depreciation	(1,115,228)	(1,251,978)	0	(2,367,206)
Equity Interest in Joint Venture	0	52,189	0	52,189
Total Assets	2,101,305	1,284,719	34,585	3,420,609
Deferred Outflows of Resources:				
Pension Deferments	4,426	6,027	0	10,453
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,105,731</u>	<u>\$ 1,290,746</u>	<u>\$ 34,585</u>	<u>\$ 3,431,062</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 4,255	\$ 3,335	\$ 0	\$ 7,590
Due to Other Governments	150	8,710	0	8,860
Compensated Absences	648	849	0	1,497
Interest Payable	11,743	3,440	0	15,183
Current Portion of Long-term Debt	91,000	53,000	0	144,000
Total Current Liabilities	107,796	69,334	0	177,130
Noncurrent Liabilities:				
Compensated Absences	2,262	2,972	0	5,234
Customer Deposits	3,300	0	0	3,300
Long-term Debt, Net of Current Portion	1,498,821	495,705	0	1,994,526
Net Pension Liability	7,693	10,475	0	18,168
Total Liabilities	1,619,872	578,486	0	2,198,358
Deferred Inflows of Resources:				
Pension Deferments	9,191	12,514	0	21,705
Net Position:				
Net Investment in Capital Assets	442,522	296,832	0	739,354
Unrestricted	34,146	402,914	34,585	471,645
Total Net Position	476,668	699,746	34,585	1,210,999
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,105,731</u>	<u>\$ 1,290,746</u>	<u>\$ 34,585</u>	<u>\$ 3,431,062</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
Operating Revenues:				
Charges for Services	\$ 162,954	\$ 157,303	\$ 13,325	\$ 333,582
Operating Expenses:				
Wages and Employee Benefits	26,455	38,719	0	65,174
Supplies	505	302	0	807
Contractual Services	2,897	2,897	0	5,794
Insurance	4,034	10,714	0	14,748
Testing	0	19,324	0	19,324
Utilities	9,694	15,131	0	24,825
Repairs and Maintenance	10,979	33,623	6,332	50,934
Other Expenses	8,237	8,784	0	17,021
Depreciation	88,870	56,606	0	145,476
Total Operating Expenses	<u>151,671</u>	<u>186,100</u>	<u>6,332</u>	<u>344,103</u>
Income (Loss) From Operations	11,283	(28,797)	6,993	(10,521)
Nonoperating Revenues (Expenses):				
Property Taxes	19,560	25,930	0	45,490
Interest Earnings	7,729	7,730	0	15,459
Other Revenues	4,798	0	0	4,798
Interest and Other Expenses	<u>(34,449)</u>	<u>(10,319)</u>	<u>0</u>	<u>(44,768)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,362)</u>	<u>23,341</u>	<u>0</u>	<u>20,979</u>
Income Before Transfers and Other Items	8,921	(5,456)	6,993	10,458
Change in Equity Interest	0	2,856	0	2,856
Transfers	<u>188,964</u>	<u>0</u>	<u>0</u>	<u>188,964</u>
Changes in Net Position	<u>197,885</u>	<u>(2,600)</u>	<u>6,993</u>	<u>202,278</u>
Net Position - January 1 (As Previously Stated)	282,353	706,655	27,592	1,016,600
Change in Accounting Principle	<u>(3,570)</u>	<u>(4,309)</u>	<u>0</u>	<u>(7,879)</u>
Net Position - January 1 (As Restated)	<u>278,783</u>	<u>702,346</u>	<u>27,592</u>	<u>1,008,721</u>
Net Position - December 31	<u>\$ 476,668</u>	<u>\$ 699,746</u>	<u>\$ 34,585</u>	<u>\$ 1,210,999</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts From Customers and Users	\$ 156,304	\$ 151,638	\$ 13,032	\$ 320,974
Payments to Suppliers	(37,679)	(91,631)	(6,332)	(135,642)
Payments to Employees	(30,474)	(42,226)	0	(72,700)
Other Receipts (Payments)	4,798	0	0	4,798
Net Cash from Operating Activities	<u>92,949</u>	<u>17,781</u>	<u>6,700</u>	<u>117,430</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers In	<u>188,964</u>	<u>0</u>	<u>0</u>	<u>188,964</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Revenue Bonds and Notes	(91,000)	(52,000)	0	(143,000)
Interest and Fees Paid on Revenue Bonds and Notes	(36,140)	(10,840)	0	(46,980)
Property Taxes	19,560	25,930	0	45,490
Net Cash from Capital and Related Financing Activities	<u>(107,580)</u>	<u>(36,910)</u>	<u>0</u>	<u>(144,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>7,729</u>	<u>7,730</u>	<u>0</u>	<u>15,459</u>
Net Increase (Decrease) in Cash	182,062	(11,399)	6,700	177,363
Cash and Cash Equivalents - January 1	<u>(136,804)</u>	<u>369,048</u>	<u>26,490</u>	<u>258,734</u>
Cash and Cash Equivalents - December 31	<u>\$ 45,258</u>	<u>\$ 357,649</u>	<u>\$ 33,190</u>	<u>\$ 436,097</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	\$ 11,283	\$ (28,797)	\$ 6,993	\$ (10,521)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Other Receipts (Payments)	4,798	0	0	4,798
Depreciation Expense	88,870	56,606	0	145,476
(Increase) Decrease in Accounts Receivable	(6,650)	(5,665)	(293)	(12,608)
(Increase) Decrease in Prepaid Expenses	(553)	345	0	(208)
Increase (Decrease) in Net Pension Liability	(3,597)	(3,674)	0	(7,271)
Increase (Decrease) in Accrued Wages	1,002	1,328	0	2,330
Increase (Decrease) in Compensated Absences	(1,221)	(1,161)	0	(2,382)
Increase (Decrease) in Accounts Payable	(983)	(1,201)	0	(2,184)
Net Cash from Operating Activities	<u>\$ 92,949</u>	<u>\$ 17,781</u>	<u>\$ 6,700</u>	<u>\$ 117,430</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Welcome, Minnesota (the City), operates under the “Optional Plan A” form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

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

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. 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. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Included in the City’s reporting entity, based upon the application of these criteria, is the following blended component unit. The blended component unit presented has a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five-member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

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 nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *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. Internally dedicated revenues are reported as general revenues rather than as program 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. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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 an 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, entitlements, 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. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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 the financial resources of the City, except those required to be accounted for in another fund.

The *Revolving Loan fund* accounts for the accumulation of resources and revenues committed to loans for private and industrial development within the City.

The *Economic Development fund* accounts for the resources accumulated and payments committed to economic development activities for private and industrial development within the City.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

The *Capital Projects fund* accounts for the accumulation of resources necessary and expenditures related to the capital projects throughout the city departments.

The City reports the following major proprietary funds:

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

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

The *Storm Sewer fund* accounts for the costs associated with the City's operation of the storm sewer utility system and ensures that user charges are sufficient to meet 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 charges between the City's water and sewer functions 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

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.

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 cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Brokered and negotiated certificates of deposits classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value certificates of deposits based on the certificates of deposits’ relationship to benchmark quoted prices.

See Note 3 for the City’s recurring fair value measurements as of December 31, 2024.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property taxes

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

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

Delinquent taxes receivable includes 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.

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.

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.

Notes receivable

Notes receivable represents loans made to various commercial entities throughout the City. An allowance has been established and was determined based on historical bad debt experience related to the nature of the receivable balance.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Capitalization Threshold
Land improvements	\$ 10,000
Machinery and equipment	5,000
Buildings and improvements	25,000
Infrastructure	100,000

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. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant, and equipment of the City, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Compensated absences

The City provides paid leave benefits to employees, including vacation, sick leave, and other compensated absences, in accordance with its personnel policies. Employees earn leave based on the number of months worked during the year. Upon termination, employees are entitled to receive compensation for unused leave balances based on the City's policy. Employees accrue one day of sick leave per month of employment, with a maximum accrual limit of 132 days. The liability for compensated absences is recognized when earned and measured using an expected payout approach, considering historical usage patterns and projected future payments.

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Unearned Revenue

Unearned revenues are those for which resources are received by the City before it has a legal claim to them. The City has reported unearned revenues for prepaid service revenues and security deposits in the proprietary funds.

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. Bond premiums and discounts are delayed and 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), Welcome Volunteer Firefighters' Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, 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.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

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

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 a 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50-65 percent of budgeted operating expenditures for cash-flow timing needs.

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 and Economic Development Authority. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

Budgets were not adopted for the Revolving loan special revenue fund.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2024, the Economic Development Authority funds had expenditures over appropriations of \$51,439. The excess of expenditures over appropriations was funded with the available fund balance.

C. Deficit Fund Equity

No had fund equity deficits at year end.

NOTES TO THE BASIC 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 market value of the collateral pledged must equal 110 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

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

On December 31, 2024, the carrying amount of deposits was \$3,153,084 and the bank balance was \$3,322,630. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Investments

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:

Type of Investments	Credit Risk		Fair Value	Interest Risk -		Total
	Rating	Agency	Measurements	Maturity	Duration in Years	
			Using	Less Than 1	1 to 5	
Pooled Investments at Amortized Cost						
Minnesota Municipal Money						
Market Fund Liquid Class	AAA	S&P	Cost	\$ 1,999,644	-	\$ 1,999,644
Market Fund Max Class	AAA	S&P	Cost	147,853	-	147,853
US GOVT Money Market Fund	AAA	S&P	Cost	275,654	-	275,654
Non-pooled investments						
Nonnegotiable CDs	N/R	N/A	Cost	127,631	-	127,631
Total investments						\$ 2,550,782

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. This City's investment policy does not address this risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to those listed in footnote 1. This City's investment policy does not address this risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policies limit the maturities of investments to no more than 30% with a maturity over 5 years and no investments that mature greater than 10 years.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policy requires 30% of investments to be in highly liquid investments. On December 31, 2024, the City's investment portfolio held 6% of the total investment with debt securities at Welcome State Bank.

The Minnesota Municipal Money Market Fund (4M Fund) is regulated by Minnesota Statutes and is an external investment pool not registered with the Securities Exchange Commission (SEC). The 4M Fund elects to measure its investments at amortized cost in accordance with accounting standards issued by the Government Accounting Standards Board. For 4M Fund investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC 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:

	Governmental Funds	Proprietary Funds
Carrying amount of demand deposits	\$ (150,463)	\$ 157,382
Time deposits	2,867,350	278,715
Cash on hand	100	-
Total deposits	<u>\$ 2,716,987</u>	<u>\$ 436,097</u>
Unrestricted cash and cash equivalents	\$ 2,716,987	\$ 436,097
Investments	<u>2,550,782</u>	<u>-</u>
Total cash and investments	<u>\$ 5,267,769</u>	<u>\$ 436,097</u>

B. Receivables

Taxes receivable as of the year end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Notes receivable represents loans made to various commercial entities throughout the City. These loans all carry an interest rate of 5% and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. Allowances are reported when accounts are proven to be uncollectible. The City has determined that no allowance is needed for the current year.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 19,859	\$ -
Delinquent special assessments	9,222	-
Special assessments deferred	<u>273,251</u>	<u>-</u>
Total deferred inflows of resources/unearned revenue	<u>\$ 302,332</u>	<u>\$ -</u>

The only receivables not expected to be collectible within one year are the following: General Fund: \$14,000 of delinquent taxes and Debt Service Funds: \$242,000 of special assessments.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

Transferred From	Transferred To				Total
	Water	Economic Development Authority	Revolving Loan	2025 Street & Utility Improvement	
General	\$ 188,964	\$ 87,316	\$ 824	\$ 82,000	\$ 359,104
Total	<u>\$ 188,964</u>	<u>\$ 87,316</u>	<u>\$ 824</u>	<u>\$ 82,000</u>	<u>\$ 359,104</u>

The transfers from the General fund to the Economic Development Authority and Revolving Loan funds were to repay previous advances. The transfer from the General to the Water and 2025 Street & Utility Improvement funds was to provide working capital to these funds.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**D. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 52,319	\$ -	\$ -	\$ 52,319
Total capital assets not being depreciated	52,319	-	-	52,319
Capital assets being depreciated				
Infrastructure	4,857,268	-	-	4,857,268
Buildings and Improvements	893,202	-	-	893,202
Machinery and equipment	2,221,584	15,100	-	2,236,684
Total capital assets being depreciated	7,972,054	15,100	-	7,987,154
Less accumulated depreciation for				
Infrastructure	(898,490)	(161,386)	-	(1,059,876)
Buildings and Improvements	(629,831)	(19,154)	-	(648,985)
Machinery and equipment	(1,219,428)	(149,475)	-	(1,368,903)
Total accumulated depreciation	(2,747,749)	(330,015)	-	(3,077,764)
Total capital assets being depreciated, net	5,224,305	(314,915)	-	4,909,390
Governmental activities capital assets, net	\$ 5,276,624	\$ (314,915)	\$ -	\$ 4,961,709

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 5,150	\$ -	\$ -	\$ 5,150
Capital assets being depreciated				
Distribution system	5,064,615	-	-	5,064,615
Machinery and equipment	175,320	-	-	175,320
Total capital assets being depreciated	5,239,935	-	-	5,239,934
Less accumulated depreciation for				
Distribution system	(2,073,509)	(138,581)	-	(2,212,090)
Machinery and equipment	(148,221)	(6,895)	-	(155,116)
Total accumulated depreciation	(2,221,730)	(145,476)	-	(2,367,206)
Total capital assets being depreciated, net	3,018,205	(145,476)	-	2,872,729
Business-type activities capital assets, net	<u>\$ 3,023,355</u>	<u>\$ (145,476)</u>	<u>\$ -</u>	<u>\$ 2,877,879</u>

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

Governmental activities	
General government	\$ 1,731
Public safety	86,979
Public works	161,115
Park and recreation	4,306
Economic development	78,884
Total depreciation expense - governmental activities	<u>\$ 333,015</u>
Business-type activities	
Water	\$ 88,870
Sewer	56,606
Total depreciation expense - business-type activities	<u>\$ 145,476</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**E. Long-term debt**General Obligation Improvement 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 governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2019A	\$ 1,395,000	2.00 - 3.00%	8/1/19	2/1/40	\$ 1,170,000
G.O. Refunding					
Bonds of 2020A	1,259,000	1.90%	7/10/20	2/1/31	822,000
G.O. Housing Development					
Bonds of 2020B	1,500,000	2.12%	9/28/20	2/1/41	<u>1,332,000</u>
Total general obligation improvement bonds					<u>\$ 3,324,000</u>

General Obligation Revenue Bonds/Notes

The City issued general obligation revenue bonds/notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. Revenue Bonds/notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue					
Note, 2011A	\$ 753,361	1.00%	8/10/11	8/20/31	\$ 287,000
G.O. Water Revenue					
Note, 2018A	789,200	1.00%	12/26/17	8/20/37	543,000
G.O. Utility Revenue					
Bonds, 2019A	1,535,000	2.00-3.00%	8/1/19	2/1/40	<u>1,285,000</u>
Total general obligation revenue bonds/notes					<u>\$ 2,115,000</u>

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 236,000	\$ 75,413	\$ 144,000	\$ 44,900
2026	241,000	70,675	145,000	42,810
2027	244,000	65,557	151,000	40,310
2028	253,000	59,994	152,000	37,400
2029	257,000	54,277	152,000	34,480
2030-2034	984,000	192,459	690,000	127,065
2035-2039	838,000	87,298	581,000	52,280
2040-2041	271,000	5,198	100,000	1,500
Total	<u>\$ 3,324,000</u>	<u>\$ 610,871</u>	<u>\$ 2,115,000</u>	<u>\$ 380,745</u>

Changes in long-term liabilities

During the year ended December 31, 2024, the following changes occurred in long-term liabilities.

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO improvement bonds	\$ 3,554,000	\$ -	\$ (230,000)	\$ 3,324,000	\$ 236,000
Bond premiums	22,623	-	(1,371)	21,252	-
Compensated absences	39,453	-	(24,437) *	15,016	3,402
Governmental activity long-term liabilities	<u>\$ 3,616,076</u>	<u>\$ -</u>	<u>\$ (255,808)</u>	<u>\$ 3,360,268</u>	<u>\$ 239,402</u>
Business-type activities:					
GO revenue bonds/notes	\$ 2,258,000	\$ -	\$ (143,000)	\$ 2,115,000	\$ 144,000
Bond premiums	25,044	-	(1,518)	23,526	-
Compensated absences	10,008	-	(3,277) *	6,731	1,497
Business-type activity long-term liabilities	<u>\$ 2,293,052</u>	<u>\$ -</u>	<u>\$ (147,795)</u>	<u>\$ 2,145,257</u>	<u>\$ 145,497</u>

*The change in the compensated absences liability is presented as a net change.

Conduit debt obligation

During 2024, the City entered into an agreement to authorize and sell revenue bonds in the form of notes or other obligations for the purpose of refinancing the cost of the acquisition, construction and equipping of certain senior housing assisted living facilities. Vista Prairie at Goldfinch Estates, LLC. (nonprofit corp.) issued \$6,500,000 in Minnesota Housing Facilities Revenue Bonds of 2024A using the City's bonding rights. The amount outstanding on December 31, 2024, is unknown. The City is in no way liable for the repayment of these bonds.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)**F. Net Position/Fund Balance**Governmental Fund Balances

Governmental fund balances reported on the Governmental Funds Balance Sheet on December 31, 2024, include the following:

	General	Revolving Loan	Economic Development	Debt Service	Capital Project	Nonmajor	Total Fund Balance
Nonspendable							
Prepaid expenses	\$ 28,989	\$ -	\$ 10,254	\$ -	\$ -	\$ -	\$ 39,243
Endowment	104,664	-	-	-	-	-	104,664
Total nonspendable	133,654	-	10,254	-	-	-	143,908
Restricted							
Revolving loan	-	753,302	-	-	-	-	753,302
Debt service	-	-	-	1,208,520	-	-	1,208,520
Total restricted	-	753,302	-	1,208,520	-	-	1,961,822
Committed							
Economic development	-	-	62,554	-	-	-	62,554
Assigned							
Public works equipment	161,117	-	-	-	-	-	161,117
Cemetery	45,019	-	-	-	-	-	45,019
Employee severance	5,774	-	-	-	-	-	5,774
Fire department equipment	62,772	-	-	-	-	-	62,772
Townships	43,926	-	-	-	-	-	43,926
Park and recreation	108,957	-	-	-	-	-	108,957
Police	30,000	-	-	-	-	-	30,000
Capital projects	-	-	-	-	615,003	495	615,498
Total assigned	457,565	-	-	-	615,003	495	1,073,063
Unassigned							
General fund	2,210,694	-	-	-	-	-	2,210,694
Total fund balance	\$ 2,801,913	\$ 753,302	\$ 72,808	\$ 1,208,520	\$ 615,003	\$ 495	\$ 5,452,041

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2024, includes the following:

Net Investment in Capital Assets:

Land	\$ 52,319
Infrastructure	4,857,267
Buildings and improvements	893,202
Machinery and equipment	2,236,684
Less: accumulated depreciation	(3,077,764)
Less: long-term debt outstanding	(3,324,000)
Less: bond premiums	(21,252)
Total Net Investment in Capital Assets	<u>1,616,457</u>

Restricted:

Debt Service	1,443,442
Revolving loans	753,302
Endowment	<u>104,664</u>
Total Restricted	<u>2,301,408</u>

Unrestricted	<u>3,361,557</u>
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Total Governmental Activities Net Position	<u>\$ 7,279,422</u>
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Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2024, includes the following:

Net Investment in Capital Assets:

Land	\$ 5,150
Distribution system	5,064,616
Machinery and equipment	175,318
Less: accumulated depreciation	(2,367,206)
Less: long-term debt outstanding	(2,115,000)
Less: bond premiums	(23,526)
Total Net Investment in Capital Assets	<u>739,354</u>

Unrestricted	<u>471,645</u>
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Total Business-type Activities Net Position	<u>\$ 1,210,999</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Public Employees' Retirement Association

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.

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 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 .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.

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.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$15,347. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**D. Pension Costs**

On December 31, 2024, the City reported a liability of \$84,024 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2024. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,173.

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. On June 30, 2024, the City's proportion was 0.0023% which was a decrease of 0.0001% from its proportion measured as of June 30, 2023. For the year ended December 31, 2024, the City recognized a pension expense of \$(8,567) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$58 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 \$1,004 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.

On December 31, 2024, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,892	\$ 28
Differences between projected and actual investment earnings	32,249	60,418
Changes in actuarial assumptions	(235)	34,031
Changes in proportion	29	5,900
City's contributions subsequent to the measurement date	8,406	-
Total	<u>\$ 48,341</u>	<u>\$ 100,377</u>

\$8,406 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Year Ending December 31,	Pension Expense Amount
2025	\$ (31,626)
2026	(8,674)
2027	(13,702)
2028	(6,440)
2029	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Measurement Date	June 30, 2024
Valuation Date	July 1, 2024
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	7.00%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 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.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

- 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

F. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00. 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 Fund was 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.

G. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

City's proportionate share of NPL		
<u>1 Percent Decrease</u>	<u>Current</u>	<u>1 Percent Increase</u>
6.00%	7.00%	8.00%
\$ 183,523	\$ 84,024	\$ 2,178

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

A. Plan Description

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

The Association issues a publicly available financial report. The report may be obtained by writing to Welcome Firefighters' Relief Association, 102 N. Dugan St, Welcome, MN 56181.

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

If a member is terminated prior to age 50 with at least 10 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 10 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability based on vesting percentage.

Summary of Participant Data	
Active members	25
Inactive members entitled to future benefits	4
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	29

B. Benefits Provided

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$1,150 (effective January 1, 2021). If a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$23,623 in fire state aid to the plan for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2024. In addition, the City made voluntary contributions of \$6,000 to the plan.

D. Pension Costs

On December 31, 2024, the Association reported a net pension liability of \$(47,481). The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at Previous	(a)	(b)	(c) = (a) - (b)
Fiscal Year 12/31/2022	\$ 352,668	\$ 391,231	\$ (38,563)
Changes for the year:			
Service cost	18,183	-	18,183
Interest	6,844	-	6,844
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	30,867	(30,867)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	7,560	(7,560)
Gain or loss	-	(4,422)	4,422
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	(57,275)	(57,275)	-
Administrative expense	-	(60)	60
Other deductions (e.g. payables)	-	-	-
Net changes	(32,248)	(23,330)	(8,918)
Balance at Current			
Fiscal Year 12/31/2023	\$ 320,420	\$ 367,901	\$ (47,481)

During the measurement period, there were no changes to the plan provisions.

For the year ended December 31, 2024, the City recognized pension expense of \$(18,074).

On December 31, 2023, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,473
Differences between projected and actual investment earnings	6,534	-
Changes in actuarial assumptions	1,556	-
City's contributions subsequent to the measurement date	29,623	-
Total	\$ 37,713	\$ 4,473

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$29,623 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	\$ 1,614
2026	1,102
2027	801
2028	313
2029	(71)
Thereafter	(142)

E. Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability**Actuarial Information:**

Measurement Date	December 31, 2023
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	2.00%
Inflation	2.75% per year
Lump Sum Benefit Increase	N/A*

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.

Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2022; valuation was based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2024:

- None

The long-term expected rate of return on pension plan investments is 2.00%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and certificates of deposit	100.00%	2.00%	2.00%
Total	100.00%		2.00%
Net assumed investment return			2.00%

F. Discount Rate

The discount rate used to measure the total pension liability was 2.00%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

G. Pension Liability Sensitivity

The following presents the Association's net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association's net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Association's Net Pension Asset		
<u>1 Percent Decrease</u>	<u>Current</u>	<u>1 Percent Increase</u>
1.00%	2.00%	3.00%
\$ 38,275	\$ 47,481	\$ 56,557

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the Association's defined benefit pension plan's fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Welcome at 102 N. Dugan St, Welcome, Minnesota, 56181; or by calling (507) 728-8740.

Note 5 OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 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 increments. The City has no outstanding debt subject to this limit on December 31, 2024.

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Agriculture Credit programs. The amount received in 2024 was \$178,864 and \$357 for LGA and the agriculture credit, respectively. This accounted for 15 percent of General fund revenues.

D. Joint ventures

The City, in conjunction with other governmental entities, has formed the joint ventures listed below:

Martin West Equipment Board – In 1998 the City entered into a joint powers agreement with the municipalities of Dunnell, Trimont, Sherburn, and Welcome to form the Martin West Equipment Board. The Agreement is authorized by Minn. Stat. §471.59. The purpose of the Agreement is to establish an organization to share cost of ownership of certain equipment needed amongst the members for joint venture. During 2024, the City paid \$8,710 to Martin West Equipment Board. Each City will then have an equity interest in the Board based on the ratio of each city's population. Because there is an explicit measurable equity interest in the joint venture, the interest is reported as an asset in the Sewer Fund.

CITY OF WELCOME, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 5 OTHER INFORMATION – (Continued)

The *Sherburn-Welcome Public Safety Commission (the Commission)* was formed in 1995 under the authority of Minnesota Statutes 471.59 and 412.11 by agreement of the member cities of Sherburn and Welcome. The Commission was created to provide police protection services to its member cities. The Commission is managed through a governing board and a police chief. The governing board consists of four members, two elected officials appointed by each member city. The ex-officio, non-voting members of the board are Clerk-Treasurers from each member city and the chief of police. The chief of police is appointed by mutual agreement of the City Councils of all member cities. The annual contributions required by each city is 60% for Sherburn and 40% for Welcome.

The contributions to the Sherburn-Welcome Public Safety Commission are reflected as expenditures in the City's General fund. The Commission's assets, liabilities, equity and operations are excluded from the City's financial statements as further explained in note 1. During 2024, the City paid \$206,038 to the Commission.

Note 6 ADOPTION OF NEW STANDARD

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending previously required disclosures. The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The beginning fund balance/net position was restated due to the implementation of GASB 101 in the amount of \$41,795.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The beginning fund balance/net position was unchanged due to the implementation of GASB 100.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2024

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2024	6/30/2024	0.0023%	\$ 84,024	\$ 2,173	\$ 86,197	\$ 294,778	29.2%	89.1%
12/31/2023	6/30/2023	0.0024%	\$ 134,205	\$ 3,600	\$ 137,805	\$ 231,093	59.6%	83.1%
12/31/2022	6/30/2022	0.0024%	\$ 190,081	\$ 5,639	\$ 195,720	\$ 210,821	92.8%	76.7%
12/31/2021	6/30/2021	0.0024%	\$ 102,491	\$ 3,164	\$ 105,655	\$ 203,046	52.0%	87.0%
12/31/2020	6/30/2020	0.0025%	\$ 149,886	\$ 4,663	\$ 154,549	\$ 192,858	80.1%	79.1%
12/31/2019	6/30/2019	0.0021%	\$ 116,105	\$ 3,500	\$ 119,605	\$ 195,449	61.2%	80.2%
12/31/2018	6/30/2018	0.0021%	\$ 116,500	\$ 3,876	\$ 120,376	\$ 189,497	63.5%	79.5%
12/31/2017	6/30/2017	0.0021%	\$ 134,063	\$ 1,707	\$ 135,770	\$ 181,138	75.0%	75.9%
12/31/2016	6/30/2016	0.0022%	\$ 178,629	\$ 2,303	\$ 180,932	\$ 185,038	97.8%	68.9%
12/31/2015	6/30/2015	0.0022%	\$ 114,015	\$ -	\$ 114,015	\$ 179,667	63.5%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2024

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2024	6/30/2024	\$ 14,427	\$ 14,427	\$ -	\$ 192,360	7.50%
12/31/2023	6/30/2023	\$ 14,206	\$ 14,206	\$ -	\$ 189,413	7.50%
12/31/2022	6/30/2022	\$ 13,387	\$ 13,387	\$ -	\$ 178,493	7.50%
12/31/2021	6/30/2021	\$ 12,837	\$ 12,837	\$ -	\$ 171,160	7.50%
12/31/2020	6/30/2020	\$ 13,328	\$ 13,328	\$ -	\$ 177,707	7.50%
12/31/2019	6/30/2019	\$ 10,963	\$ 10,963	\$ -	\$ 146,173	7.50%
12/31/2018	6/30/2018	\$ 10,647	\$ 10,647	\$ -	\$ 141,960	7.50%
12/31/2017	6/30/2017	\$ 10,276	\$ 10,276	\$ -	\$ 137,013	7.50%
12/31/2016	6/30/2016	\$ 10,334	\$ 10,334	\$ -	\$ 137,787	7.50%
12/31/2015	6/30/2015	\$ 9,681	\$ 9,681	\$ -	\$ 129,080	7.50%

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
WELCOME FIREFIGHTERS' RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Total Pension Liability	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 18,183	\$ 17,960	\$ 16,760	\$ 20,109	\$ 18,727	\$ 17,741	\$ 16,875	\$ 15,242	\$ 15,242	\$ 14,870
Interest	6,844	6,929	6,994	8,001	7,637	8,483	7,661	6,759	6,122	6,029
Difference between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	4,668	-	-	-	-
Changes in benefit terms	-	-	16,256	-	17,075	15,848	7,452	13,675	-	-
Benefit payments, including member contribution refunds	(57,275)	-	(89,052)	(53,204)	-	-	-	-	(22,275)	-
Gain or loss	-	(641)	-	(3,999)	-	(5,185)	-	(1,237)	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-
Net change in total pension liability	(32,248)	24,248	(49,042)	(29,093)	43,439	41,555	31,988	34,439	(911)	20,899
Total Pension Liability - beginning of year	352,668	328,420	377,462	406,555	363,116	321,561	289,573	255,134	256,045	235,146
Total Pension Liability - end of year	\$ 320,420	\$ 352,668	\$ 328,420	\$ 377,462	\$ 406,555	\$ 363,116	\$ 321,561	\$ 289,573	\$ 255,134	\$ 256,045
Plan Fiduciary Net Position										
Contributions - state and local	\$ 30,867	\$ 26,323	\$ 27,416	\$ 23,309	\$ 32,463	\$ 27,307	\$ 20,869	\$ 23,564	\$ 22,715	\$ 23,814
Contributions - donation and other income	-	-	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-	-	-	-
Net investment income	7,560	7,467	7,708	8,504	8,357	9,583	8,887	8,239	7,837	7,427
Other additions (e.g. receivable)	-	-	-	-	-	-	-	-	-	-
Benefit payments, including member contribution refunds	(57,275)	-	(89,052)	(53,204)	-	-	-	-	(22,275)	-
Gain or loss	(4,422)	(2,723)	(2,125)	(2,563)	(2,273)	(4,935)	(5,130)	(4,534)	(3,781)	(3,127)
Administrative expenses	(60)	-	-	-	-	-	-	-	-	-
Other deductions (e.g. payables)	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(23,330)	31,067	(56,053)	(23,954)	38,547	31,955	24,626	27,269	4,496	28,114
Plan Fiduciary Net Position - beginning	391,231	360,164	416,217	440,171	401,624	369,669	345,043	317,774	313,278	285,164
Plan Fiduciary Net Position - ending	\$ 367,901	\$ 391,231	\$ 360,164	\$ 416,217	\$ 440,171	\$ 401,624	\$ 369,669	\$ 345,043	\$ 317,774	\$ 313,278
Net Pension (Asset) Liability - ending	\$ (47,481)	\$ (38,563)	\$ (31,744)	\$ (38,755)	\$ (33,616)	\$ (38,508)	\$ (48,108)	\$ (55,470)	\$ (62,640)	\$ (57,233)
FNP as a percentage of the TPL	114.82%	110.93%	109.67%	110.27%	108.27%	110.60%	114.96%	119.16%	124.55%	122.35%

CITY OF WELCOME, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
WELCOME FIREFIGHTERS' RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2023	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2022	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2021	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2020	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2019	-	\$ 7,500	\$ (7,500)	-	-	-
December 31, 2018	-	\$ 7,500	\$ (7,500)	-	-	-
December 31, 2017	-	\$ 7,500	\$ (7,500)	-	-	-
December 31, 2016	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2015	-	\$ 6,000	\$ (6,000)	-	-	-
December 31, 2014	-	\$ 6,000	\$ (6,000)	-	-	-

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2024

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association

2024 Changes

Changes in Actuarial Assumptions. Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: an increase in 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. A minor increase in assumed withdrawals for males and females and 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 the 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 are updated to reflect the changes in assumptions.

2023 changes:

Changes in Actuarial Assumptions. The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions. 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 changes:

Changes in Actuarial Assumptions. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2021 changes:

Changes in Actuarial Assumptions. 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.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2020 changes:

Changes in Actuarial Assumptions. 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.

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2024

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

A. Public Employees Retirement Association - General Employees Retirement Fund – (Continued)

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.

Changes in Plan Provisions. 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 changes:

Changes in Actuarial Assumptions. The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions. 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 changes:

Change of Assumptions. 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 changes:

Change of Assumptions. 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. 2) 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 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) 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% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

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

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF WELCOME, MINNESOTA
WELCOME, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2024

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

B. Volunteer Firefighter's Relief Association

2023 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

2022 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

2021 changes:

Change of Assumptions. None

Changes in Plan Provisions. There was a benefit level change from \$1,100 to \$1,150 during the measurement period.

2020 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

2019 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

2018 changes:

Change of Assumptions. 1) The expected investment return and discount rate decreased from 2.50% to 2.00% to reflect updated capital market assumptions. 2) The mortality assumption was updated from the rates used in the July 1, 2017, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation.

Changes in Plan Provisions. There was a benefit level change from \$1,000 to \$1,050 during the measurement period.

2017 changes:

Changes in Plan Provisions. There was a benefit level change from \$975 to \$1,000 during the measurement period.

2016 changes:

Changes in Plan Provisions. The benefit level changed from \$925 to \$975 during the measurement period.

2015 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

2014 changes:

Change of Assumptions. None. **Changes in Plan Provisions.** None.

SUPPLEMENTARY INFORMATION SECTION

CITY OF WELCOME, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2024

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ 303,247	\$ 901,104	\$ 1,204,351
Special Assessments	<u>207,479</u>	<u>64,010</u>	<u>271,489</u>
TOTAL ASSETS	<u>\$ 510,726</u>	<u>\$ 965,114</u>	<u>\$ 1,475,840</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	\$ 203,645	\$ 63,675	\$ 267,320
Fund Balance:			
Restricted	<u>307,081</u>	<u>901,439</u>	<u>1,208,520</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 510,726</u>	<u>\$ 965,114</u>	<u>\$ 1,475,840</u>

CITY OF WELCOME, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2024

	G.O. Improvement Bonds 2019A	G.O. Refunding Bonds 2020A	Total Debt Service Funds
Revenues:			
Property Taxes	\$ 114,533	\$ 232,538	\$ 347,071
Special Assessments	16,618	24,731	41,349
Interest Earnings	137	671	808
Total Revenues	<u>131,288</u>	<u>257,940</u>	<u>389,228</u>
Expenditures:			
Debt Service:			
Principal	60,000	110,000	170,000
Interest and Other Fees	<u>35,050</u>	<u>16,663</u>	<u>51,713</u>
Total Expenditures	<u>95,050</u>	<u>126,663</u>	<u>221,713</u>
Change in Fund Balance	36,238	131,277	167,515
Fund Balance - January 1	<u>270,843</u>	<u>770,162</u>	<u>1,041,005</u>
Fund Balance - December 31	<u><u>\$ 307,081</u></u>	<u><u>\$ 901,439</u></u>	<u><u>\$ 1,208,520</u></u>

CITY OF WELCOME, MINNESOTA

BALANCE SHEET
GENERAL FUND
December 31, 2024

	2024	2023
ASSETS		
Checking	\$ 47,379	\$ 966,721
Savings	398,825	(290,268)
Investments	2,329,058	2,117,126
Receivables:		
Interest	645	533
Franchise Fee	6,810	5,489
Property Taxes	24,712	19,814
Due From Other Funds	0	824
Due From Other Governments	368	0
Prepaid Expenses	28,989	29,169
Special Assessments	15,153	14,533
Advance to Other Funds	0	4,579
TOTAL ASSETS	\$ 2,851,939	\$ 2,868,520
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 7,771	\$ 80,386
Accrued Expenses	7,243	2,909
Total Liabilities	15,014	83,295
Deferred Inflows of Resources:		
Unavailable Revenue	35,012	33,333
Fund Balance:		
Nonspendable	133,654	134,449
Restricted	0	30,807
Assigned	457,565	376,973
Unassigned	2,210,694	2,209,663
Total Fund Balance	2,801,913	2,751,892
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCE	\$ 2,851,939	\$ 2,868,520

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2024
(With Comparative Amounts For the Year Ended December 31, 2023)

	Original And Final Budget	Actual 2024	Over (Under) Budget	Actual 2023
Revenues:				
Taxes:				
Property Taxes	\$ 818,000	\$ 835,182	\$ 17,182	\$ 787,605
Franchise Fees	2,000	2,502	502	2,619
Total Taxes	820,000	837,684	17,684	790,224
Special Assessments	0	1,356	1,356	2,146
Intergovernmental:				
State Grants and Aids	0	2,620	2,620	500
Local Government Aid	171,824	171,824	0	178,864
MV Credit	0	453	453	357
Ballfield Agreement	14,000	14,000	0	14,000
Fire State Aid	15,000	23,623	8,623	16,821
Police State Aid	38,000	37,835	(165)	38,113
Other State Aid Grants	0	0	0	30,807
Other Aid and Grants	0	0	0	1,266
Small Cities Assistance	0	17,758	17,758	0
Total Intergovernmental	238,824	268,113	29,289	280,728
Licenses and Permits	4,000	3,994	(6)	5,086
Charges for Services:				
Township Fire Contracts	7,700	7,700	0	7,700
Fire Dept Calls and Charges	0	6,135	6,135	15,335
Cemetery Sales	0	2,400	2,400	0
Rental Income	0	250	250	350
Total Charges for Services	7,700	16,485	8,785	23,385
Fines and Forfeits	2,000	3,261	1,261	3,112
Other Revenues:				
Contributions	0	6,260	6,260	10,340
Gambling Contributions	0	0	0	2,000
Garbage Bag Sales	0	1,521	1,521	1,167
Rental Income	300	0	(300)	0
Miscellaneous	5,000	13,379	8,379	3,934
Misc. Fire Dept Revenue	0	4,600	4,600	0
Total Other Revenues	5,300	25,760	20,460	17,441
Interest and Dividends:				
Interest Earnings	34,000	95,788	61,788	59,226
Dividends	0	7,340	7,340	4,480
Total Interest and Dividends	34,000	103,128	69,128	63,706
Total Revenues	1,111,824	1,259,781	147,957	1,185,828

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended December 31, 2024

(With Comparative Amounts For the Year Ended December 31, 2023)

	Original And Final Budget	Actual 2024	Over (Under) Budget	Actual 2023
Expenditures:				
General Government:				
Full-Time Employees Regular	\$ 64,000	\$ 89,117	\$ 25,117	\$ 63,688
Full-Time Employees Overtime	0	2,690	2,690	2,684
Mayor and Council Salaries	10,000	9,740	(260)	8,610
Attendance Salaries	0	180	180	90
Election Expense	3,000	4,213	1,213	0
PERA	4,800	4,745	(55)	4,396
FICA	4,900	7,614	2,714	5,560
Worker s Comp	650	563	(87)	674
Office Supplies	2,600	2,721	121	1,850
Equipment Repairs/Maint.	5,000	4,144	(856)	3,707
Building Maint.	0	1,265	1,265	4,582
Garbage Expense	0	1,747	1,747	1,099
Education	1,000	557	(443)	810
Auditing and Acct g Services	16,000	19,045	3,045	15,601
Engineering Fees	0	1,568	1,568	0
Legal Fees	1,500	450	(1,050)	1,950
Contract Services	0	9,763	9,763	0
Travel Expenses	75	0	(75)	0
Print/Binding	4,500	6,331	1,831	4,288
Liability Insurance	7,000	6,537	(463)	6,955
Utilities	10,900	5,488	(5,412)	8,603
Miscellaneous	2,000	2,928	928	2,184
Dues and Subscriptions	1,000	348	(652)	1,351
Summer Festival	0	2,700	2,700	4,100
Total General Government	<u>138,925</u>	<u>184,454</u>	<u>45,529</u>	<u>142,782</u>
Public Safety:				
Police Protection:				
Welcome Assessment	190,635	206,038	15,403	189,167
Police State Aid	38,000	37,835	(165)	38,113
Total Police Protection	<u>228,635</u>	<u>243,873</u>	<u>15,238</u>	<u>227,280</u>
Fire Protection:				
Attendance Salaries	26,600	29,715	3,115	25,000
FICA	2,000	2,273	273	1,859
Relief Association	25,000	29,623	4,623	22,821
Supplies	8,000	6,553	(1,447)	6,623
Worker s Comp	3,000	2,929	(71)	2,724
Fuel	500	438	(62)	1,401
Building Maint.	8,500	1,499	(7,001)	904
Pagers and Radios	10,000	1,478	(8,522)	11,018
Education	12,000	6,237	(5,763)	5,699
Auditing and Acct g Services	0	0	0	1,100
Physicals and Medical	3,000	875	(2,125)	29
Vehicle Expense	15,000	11,206	(3,794)	15,490
Township Agreement	6,000	0	(6,000)	0

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2024
(With Comparative Amounts For the Year Ended December 31, 2023)

	Original And Final Budget	Actual 2024	Over (Under) Budget	Actual 2023
Expenditures (Continued):				
Fire Protection: (Continued)				
Liability Insurance	\$ 4,260	\$ 4,274	\$ 14	\$ 4,262
Utilities	5,000	1,900	(3,100)	3,160
Miscellaneous	5,000	2,332	(2,668)	2,866
Dues and Subscriptions	1,500	1,360	(140)	1,219
Total Fire Protection	<u>135,360</u>	<u>102,692</u>	<u>(32,668)</u>	<u>106,175</u>
Total Public Safety	<u>363,995</u>	<u>346,565</u>	<u>(17,430)</u>	<u>333,455</u>
 Public Works:				
Full-Time Employees Regular	66,000	61,914	(4,086)	57,547
Full-Time Employees Overtime	0	2,889	2,889	5,843
PERA	4,760	3,774	(986)	3,875
FICA	5,050	4,797	(253)	4,853
Worker s Comp	7,300	6,584	(716)	6,131
Tree Removal	15,000	60,010	45,010	16,325
Equipment Repairs/Maint.	48,000	15,080	(32,920)	35,552
Engineering Fees	0	0	0	6,629
Clothing Allowance	424	650	226	424
Vehicle Expense	5,000	3,192	(1,808)	3,474
Street Repairs	115,000	46,556	(68,444)	85,338
Liability Insurance	5,700	5,994	294	5,687
Utilities	19,000	15,480	(3,520)	17,580
Miscellaneous	2,500	1,579	(921)	499
Demolation	20,000	0	(20,000)	208
Full-Time Employees Regular	0	1,780	1,780	1,522
FICA	0	136	136	77
Total Public Works	<u>313,734</u>	<u>230,415</u>	<u>(83,319)</u>	<u>251,564</u>
 Cemetery:				
Full-Time Employees Regular	2,500	13,589	11,089	13,818
PERA	0	1,067	1,067	1,053
FICA	0	1,088	1,088	1,114
Cemetery	<u>19,000</u>	<u>1,286</u>	<u>(17,714)</u>	<u>3,063</u>
Total Cemetery	<u>21,500</u>	<u>17,030</u>	<u>(4,470)</u>	<u>19,048</u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended December 31, 2024

(With Comparative Amounts For the Year Ended December 31, 2023)

	Original And Final Budget	Actual 2024	Over (Under) Budget	Actual 2023
Expenditures (Continued):				
Parks & Recreation:				
Full-Time Employees Regular	\$ 35,000	\$ 31,126	\$ (3,874)	\$ 28,714
Part-Time Employees	0	5,405	5,405	4,305
Shelter House Attendant	0	1,210	1,210	995
Committee Fees	500	150	(350)	225
Insurance	4,000	0	(4,000)	0
PERA	0	2,252	2,252	2,156
FICA	0	2,772	2,772	2,604
Worker s Comp	0	356	356	355
Equipment Repairs/Maint.	10,000	10,304	304	3,625
Building Maint.	0	0	0	720
Ball Fields Maint.	0	2,188	2,188	2,171
Liability Insurance	0	4,341	4,341	4,232
Utilities	800	1,101	301	958
Miscellaneous	250	0	(250)	0
Total Parks and Recreation	<u>50,550</u>	<u>61,205</u>	<u>10,655</u>	<u>51,060</u>
Capital Outlay:				
General Government	3,500	1,833	(1,667)	2,640
Public Safety	100,000	4,053	(95,947)	67,580
Public Works	30,000	34,298	4,298	173,989
Park and Recreation	26,000	21,303	(4,697)	14,990
Total Capital Outlay	<u>159,500</u>	<u>61,487</u>	<u>(98,013)</u>	<u>259,199</u>
Total Expenditures	<u>1,048,204</u>	<u>901,156</u>	<u>(147,048)</u>	<u>1,057,108</u>
Excess of Revenue Over (Under) Expenditures	<u>63,620</u>	<u>358,625</u>	<u>(295,005)</u>	<u>128,720</u>
Other Financing Sources (Uses):				
Transfers Out	0	(359,104)	(359,104)	0
Sale of Capital Assets	0	50,500	50,500	24,650
Total Other Financing Sources (Uses)	<u>0</u>	<u>(308,604)</u>	<u>(308,604)</u>	<u>24,650</u>
Change in Fund Balance	<u>\$ 63,620</u>	50,021	<u>\$ (13,599)</u>	153,370
Fund Balance - January 1		<u>2,751,892</u>		<u>2,598,522</u>
Fund Balance - December 31		<u>\$ 2,801,913</u>		<u>\$ 2,751,892</u>

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SCHEDULE OF NET POSITION

WATER UTILITY FUND

December 31, 2024

	<u>2024</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Checking	\$ 45,258
Receivables:	
Accounts	18,871
Prepaid Expenses	4,834
Total Current Assets	<u>68,963</u>
Noncurrent Assets:	
Land	5,150
Distribution System	3,042,081
Equipment	100,339
Accumulated Depreciation	<u>(1,115,228)</u>
Total Assets	2,101,305
Deferred Outflows of Resources:	
Pension Deferments	<u>4,426</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 2,105,731</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 4,255
Interest Payable	11,743
Due to Other Governments	150
Compensated Absences	648
Current Portion of Long-term Debt	91,000
Total Current Liabilities	<u>107,796</u>
Noncurrent Liabilities:	
Compensated Absences	2,262
Deposits Payable	3,300
Long-term Debt, Net of Current Portion	1,498,821
Net Pension Liability	7,693
Total Liabilities	<u>1,619,872</u>
Deferred Inflows of Resources:	
Pension Deferments	<u>9,191</u>
Net Position:	
Net Investment in Capital Assets	442,522
Unrestricted	34,146
Total Net Position	<u>476,668</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 2,105,731</u></u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER UTILITY FUND
For the Year Ended December 31, 2024

	2024 Budget	2024 Actual	Over (Under) Budget
Operating Revenues:			
Charges for Services	\$ 161,020	\$ 162,954	\$ 1,934
Operating Expenses:			
Wages and Employee Benefits	29,188	26,455	(2,733)
Supplies	0	505	505
Contractual Services	0	2,897	2,897
Insurance	3,200	4,034	834
Utilities	13,200	9,694	(3,506)
Repairs and Maintenance	74,500	10,979	(63,521)
Other Expenses	5,281	8,237	2,956
Depreciation	85,000	88,870	3,870
Total Operating Expenses	<u>210,369</u>	<u>151,671</u>	<u>(58,698)</u>
Income (Loss) From Operations	(49,349)	11,283	60,632
Nonoperating Revenues (Expenses):			
Property Taxes	0	19,560	19,560
Interest Earnings	2,000	7,729	5,729
Other Revenues	50	4,798	4,748
Interest and Other Expenses	<u>(5,820)</u>	<u>(34,449)</u>	<u>28,629</u>
Total Nonoperating Revenues (Expenses)	<u>(3,770)</u>	<u>(2,362)</u>	<u>1,408</u>
Income (Loss) Before Transfers	(53,119)	8,921	62,040
Transfers	<u>0</u>	<u>188,964</u>	<u>188,964</u>
Change in Net Position	<u>\$ (53,119)</u>	<u>197,885</u>	<u>\$ 251,004</u>
Net Position - January 1 (As Previously Stated)		282,353	
Change in Accounting Principle		<u>(3,570)</u>	
Net Position - January 1 (As Restated)		<u>278,783</u>	
Net Position - December 31		<u>\$ 476,668</u>	

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION

SEWER UTILITY FUND

December 31, 2024

	<u>2024</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Checking	\$ 78,934
Savings	278,715
Accounts Receivable	18,128
Prepaid Expenses	11,216
Total Current Assets	<u>386,993</u>
Noncurrent Assets:	
Distribution System	2,022,534
Equipment	74,981
Accumulated Depreciation	(1,251,978)
Equity Interest in Joint Venture	52,189
Total Assets	<u>1,284,719</u>
Deferred Outflows of Resources:	
Pension Deferments	<u>6,027</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,290,746</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 3,335
Due Other Governments	8,710
Interest Payable	3,440
Compensated Absences	849
Current Portion of Long-term Debt	53,000
Total Current Liabilities	<u>69,334</u>
Noncurrent Liabilities:	
Compensated Absences	2,972
Long-term Debt, Net of Current Portion	495,705
Net Pension Liability	10,475
Total Liabilities	<u>578,486</u>
Deferred Inflows of Resources:	
Pension Deferments	<u>12,514</u>
Net Position:	
Net Investment in Capital Assets	296,832
Unrestricted	402,914
Total Net Position	<u>699,746</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 1,290,746</u></u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER UTILITY FUND
For the Year Ended December 31, 2024

	2024 Budget	2024 Actual	Over (Under) Budget
Operating Revenues:			
Charges for Services	\$ 163,000	\$ 157,303	\$ (5,697)
Operating Expenses:			
Wages and Employee Benefits	43,600	38,719	(4,881)
Supplies	0	302	302
Contractual Services	0	2,897	2,897
Testing	30,000	19,324	(10,676)
Insurance	8,600	10,714	2,114
Utilities	25,000	15,131	(9,869)
Repairs and Maintenance	40,000	33,623	(6,377)
Other Expenses	3,756	8,784	5,028
Depreciation	58,000	56,606	(1,394)
Total Operating Expenses	<u>208,956</u>	<u>186,100</u>	<u>(22,856)</u>
Income (Loss) From Operations	(45,956)	(28,797)	17,159
Nonoperating Revenues (Expenses):			
Property Taxes	45,490	25,930	(19,560)
Interest Earnings	1,000	7,730	6,730
Interest and Other Expenses	<u>(3,260)</u>	<u>(10,319)</u>	<u>7,059</u>
Total Nonoperating Revenues (Expenses)	<u>43,230</u>	<u>23,341</u>	<u>(19,889)</u>
Income (Loss) Before Transfers and Other Items	(2,726)	(5,456)	(2,730)
Change in Equity Interest	<u>0</u>	<u>2,856</u>	<u>2,856</u>
Changes in Net Position	<u><u>\$ (2,726)</u></u>	<u><u>(2,600)</u></u>	<u><u>\$ 126</u></u>
Net Position - January 1 (As Previously State)		706,655	
Change in Accounting Principle		<u>(4,309)</u>	
Net Position - January 1 (As Restated)		<u>702,346</u>	
Net Position - December 31		<u><u>\$ 699,746</u></u>	

CITY OF WELCOME, MINNESOTA

SCHEDULE OF NET POSITION
STORM SEWER UTILITY FUND

December 31, 2024

(With Comparative Amounts For December 31, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Checking	\$ 33,190	\$ (12,628)
Savings	0	39,117
Accounts Receivable	<u>1,395</u>	<u>1,103</u>
TOTAL ASSETS	<u><u>\$ 34,585</u></u>	<u><u>\$ 27,592</u></u>
NET POSITION		
Unrestricted	<u><u>\$ 34,585</u></u>	<u><u>\$ 27,592</u></u>

CITY OF WELCOME, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
STORM SEWER UTILITY FUND

For the Year Ended December 31, 2024

(With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
Operating Revenues:				
Charges for Services	\$ 0	\$ 13,325	\$ 13,325	\$ 10,839
Operating Expenses:				
Contractual Services	0	0	0	6,884
Repairs and Maintenance	0	6,332	6,332	256
Total Expenses	<u>0</u>	<u>6,332</u>	<u>6,332</u>	<u>7,140</u>
Changes in Net Position	<u>\$ 0</u>	6,993	<u>\$ 6,993</u>	3,699
Net Position - January 1		<u>27,592</u>		<u>23,893</u>
Net Position - December 31		<u>\$ 34,585</u>		<u>\$ 27,592</u>

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Mankato Office:

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Mankato, MN 56001

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F: 507.387.5199

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Welcome, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Welcome, 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 15, 2025.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories except for tax increment financing because the City doesn't have any increment districts.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and responses as item 2024-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of 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.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 15, 2025



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Experienced... Over 40 years combined experience

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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
Members of the City Council
City of Welcome
Welcome, 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 Welcome, 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 15, 2025.

Reports on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2024-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2024-002 and 2024-003.

Reports on Compliance and Other Matters

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

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 result 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.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
April 15, 2025

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2024

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2024-001. Material Audit Adjustments

Condition:	The audit firm proposed, and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Jody Hemann, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2024

Significant Deficiencies

Finding 2024-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does have an internal control in place for the review of the drafted financial statements, however, the City does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors prepare them.
Criteria	The preparation of the financial statements and the related notes is the responsibility of management.
Cause:	The City has informed us they do not have the expertise to prepare the annual financial statement disclosures, although the City has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP:

Jody Hemann, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2024

Finding 2024-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Jody Hemann, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2024

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2024-004. Prompt Payment of Local Government Bills

MSA 471.425 subd. 2 (Prompt Payment of Local Government Bills) requires all bills to be paid within 35 days from receipt for government boards that meet at least once a month, or within the period set by the contract terms.

During 2024, the City did not pay all claims within the time period set by contract or the standard payment period.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will utilize a date stamp for all invoices received to ensure proper notation of the date received and will review invoices for timeliness as the payment date approaches.

Official Responsible for Ensuring CAP:

Jody Hemann, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

City Council

CITY OF WELCOME, MINNESOTA

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2024

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2023-001	Material Audit Adjustments	Not Corrected	2022	See Current Year Finding 2024-001
2023-002	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2024-002
2023-003	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2024-003

Minnesota Legal Compliance Findings:

None

APPENDIX F: CONTINUING DISCLOSURE FILINGS

The following pages have been printed directly from the EMMA website information for the Continuing Disclosure filings in recent years.

Issue Details



CITY OF WELCOME MINNESOTA GENERAL OBLIGATION IMPROVEMENT BONDS SERIES 2012A (MN)

WELCOME MINN GO IMPT BDS 2012A (MN)*

Dated Date:

06/01/2012

Underwriting Spread Amount:

Not Disclosed - Competitive Sale

Closing Date:

06/20/2012

Final Scale

Official Statement

Continuing Disclosure

Trade Activity

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.

FINANCIAL INFORMATION & DOCUMENTS

Collapse

Most Recent

[Audited Financial Statement for the year ended 12/31/2021 posted 08/02/2022 \(497 KB\)](#)

[details](#)

Annual Financial Information and Operating Data

[Financial Operating Filing for the year ended 12/31/2014 Document2 posted 10/14/2014 \(2.7 MB\)](#) (Modified 09/09/2015) [details](#)

[Financial Operating Filing for the year ended 12/31/2014 Document1 posted 10/14/2014 \(8.7 MB\)](#) (Modified 09/09/2015) [details](#)

[Financial Operating Filing for the year ended 12/31/2012 posted 09/13/2013 \(6.3 MB\)](#) [details](#)

Audited Financial Statements or ACFR

[Audited Financial Statement for the year ended 12/31/2021 posted 08/02/2022 \(497 KB\)](#) [details](#)

[Annual Audited Financial Statement for the year ended 12/31/2019 posted 05/27/2020 \(304 KB\)](#) [details](#)

[Financial Operating Filing for the year ended 12/31/2018 posted 06/24/2019 \(294 KB\)](#) [details](#)

[2016 Audit - Welcome MN for the year ended 12/31/2016 Document2 posted 04/11/2019 \(83 KB\)](#) [details](#)

[2016 Audit - Welcome MN for the year ended 12/31/2016 Document1 posted 04/11/2019 \(271 KB\)](#) [details](#)

[Financial Operating Filing for the year ended 12/31/2017 posted 09/21/2017 \(247 KB\)](#) (Modified 09/10/2018) [details](#)

[Financial Operating Filing for the year ended 12/31/2015 posted 09/19/2016 \(258 KB\)](#) [details](#)

Failure to Provide Annual Financial Information

[Failure to File Notice - 2016 Audit for the year ended 12/31/2016 posted 04/11/2019 \(83 KB\)](#) [details](#)

[Failure to File Notice - 2016 Audit for the year ended 12/31/2016 posted 04/11/2019 \(271 KB\)](#) [details](#)

Other Financial / Operating Data

[REPORT OF SIGNIFICANT EVENTS for the year ended 12/31/2014 posted 10/14/2014 \(2.7 MB\)](#) (Modified 09/09/2015) [details](#)

[REPORT OF SIGNIFICANT EVENTS for the year ended 12/31/2014 posted 10/14/2014 \(8.7 MB\)](#) (Modified 09/09/2015) [details](#)

EVENT NOTICES

Collapse

Most Recent

[Notice of Call - GO Improvement Bonds, Series 2012A dated 07/10/2020 posted 07/10/2020 \(11 KB\)](#)

[details](#)

Bond Call

[Notice of Call - GO Improvement Bonds, Series 2012A dated 07/10/2020 posted 07/10/2020 \(11 KB\)](#) [details](#)

Links to Former NRMSIRs

Until 2009, the organizations listed below served as Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and may have primary market and continuing disclosure documents produced before July 1, 2009, when the EMMA website became the official repository for municipal market disclosures.

- [Bloomberg L.P.](#)
- [DPC Data](#)
- [ICE Data Services](#) (formerly Interactive Data Pricing and Reference Data)
- [Standard & Poor's](#)

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