

**City Council
Special Council Meeting
Government Services Center & Zoom Id 267-094-2170 password 56587
9:00 AM on Wednesday, July 2, 2025**

- 1. Call to Order**
- 2. LMC Conference Review**
- 3. Mayor's Appointment**
- 4. 2024 Audit**
- 5. Parking and Alley Paving Project**
- 6. Sewer Lift Station**
- 7. Sewer Jetting and Televising Lines**
- 8. Adjournment**

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4. 2024 Audit

Files Attached

- Audit Report - City of Vergas - 12.31.2024.pdf

**CITY OF VERGAS
VERGAS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2024



Hoffman, Philipp, & Martell, PLLC

**CITY OF VERGAS
VERGAS, MINNESOTA**

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VERGAS, MINNESOTA**

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INTRODUCTORY SECTION

**CITY OF VERGAS
VERGAS, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2024**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Julie Bruhm (1)	Mayor	December 31, 2024
Bruce Albright	Councilmember	December 31, 2028
Dean Haarstick	Councilmember	December 31, 2026
Natalie Fischer (2)	Councilmember	December 31, 2024
Paul Pinke	Councilmember	December 31, 2026
Appointed		
Julie Lammers	Clerk-Treasurer	Indefinite

(1) Replaced by Dwight Lundgren effective January 6, 2025

(2) Replaced by James Stenger effective January 6, 2025

FINANCIAL SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Vergas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Vergas, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Vergas' basic financial statements as listed in the table of contents.

Qualified Opinion

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

Unmodified Opinions

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

Basis for Qualified Opinion on Governmental Activities

Management has not adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the Fire Relief Association. Accounting principles generally accepted in the United States of America require that GASB Statement No. 68 be adopted for governmental activities, including Fire Relief Associations. The amount by which this departure would affect the assets, net position, and revenues of the governmental activities has not been determined.

Basis for Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the

Audit of the Financial Statements section of our report. We are required to be independent of the City of Vergas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 that raise substantial doubt about the City of Vergas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Vergas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in 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 that raise substantial doubt about the City of Vergas' 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 in our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

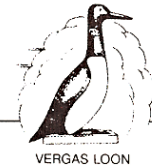
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2025, on our consideration of the City of Vegas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Vegas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Vegas' internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell".

Hoffman, Philipp, & Martell, PLLC
June 20, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of the City of Vergas offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Vergas for the fiscal year ended December 31, 2024. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$2,457,365, of which \$1,124,106 is the net investment in capital assets, \$297,170 is restricted for debt service, and \$1,036,089 is unrestricted. The total net position of governmental activities increased by \$250,495 for the year ended December 31, 2024. This is attributed primarily to grant funding for capital projects and the reduction of debt and net pension liability.

The total net position of business-type activities is \$1,575,889, of which \$1,108,594 is the net investment in capital assets, and \$467,295 is unrestricted. The total net position of business-type activities increased by \$54,411 in 2024, primarily due to a strong profit margin in the Liquor Enterprise Fund.

At the close of 2024, the City's governmental funds reported combined ending fund balances of \$589,275, an increase of \$117,771 over the prior year. Of the total fund balance amount, \$297,170 is legally or contractually restricted, \$217,027 is formally committed for specific purposes, and \$75,078 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, culture and recreation, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities**—The City charges fees to cover the costs of certain services it provides. Included here are the operations of the liquor store and the utilities – sewer and water.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the *Balance Sheet – Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the 2006 Street Project Debt Service Fund, and the 2019 Street Project Debt Service Fund, all of which are considered to be major funds. Data for the Nonmajor Vergas EDA Special Revenue Fund is also presented with the major funds.

The City of Vergas adopts an annual budget for its General Fund. A *Budgetary Comparison Schedule* has been provided for this fund to demonstrate compliance with its budget.

Proprietary Funds The City of Vergas maintains three proprietary funds. 1) The Liquor Enterprise Fund is used to account for the City's liquor store. Financing is provided through the liquor store's sale of off-sale liquor. 2) The Sewer Enterprise Fund is used to account for the operations of the City's sewer system.

Financing is provided by charges to residents for services. 3) The Water Enterprise Fund is used to account for the operations of the City's water system. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the *Statement of Net Position* and the *Statement of Activities* as business-type activities. All of the enterprise funds are considered to be major funds.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found beginning on page 25 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City also provides other information including a *Schedule of Intergovernmental Revenue*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$4,033,254 at the close of 2024. The largest portion of the City's net position (approximately 56 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 7 percent of the City's net position is restricted for debt service, and 37 percent of the City's net position is unrestricted. The unrestricted net position amount of \$1,503,384 as of December 31, 2024, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$188,503, and total liabilities decreased by \$167,635 from the prior year. Deferred outflows related to pensions decreased by \$25,908, and deferred inflows of resources related to pensions increased by \$25,324, resulting in an increased net position of \$304,906 from the prior year. This increase was primarily due to state and local grant funding for capital projects, decreases in pension-related liabilities, and net income in the Liquor and Sewer Enterprise Funds.

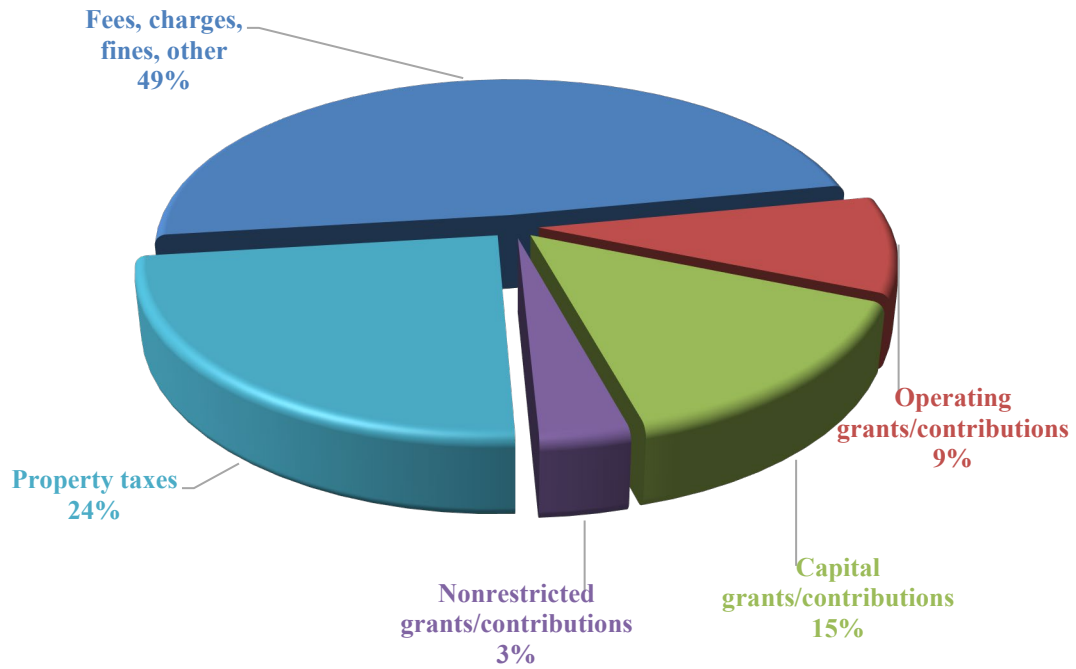
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,048,582	\$ 944,212	\$ 597,463	\$ 558,731	\$ 1,646,045	\$ 1,502,943
Capital assets	2,607,242	2,551,515	1,221,119	1,231,445	3,828,361	3,782,960
Total assets	\$ 3,655,824	\$ 3,495,727	\$ 1,818,582	\$ 1,790,176	\$ 5,474,406	\$ 5,285,903
Deferred outflows - pensions	\$ 8,341	\$ 16,633	\$ 17,727	\$ 35,343	\$ 26,068	\$ 51,976
Other liabilities	\$ 11,740	\$ 29,062	\$ 11,141	\$ 16,193	\$ 22,881	\$ 45,255
Long-term liabilities outstanding	1,169,286	1,258,758	194,509	250,298	1,363,795	1,509,056
Total liabilities	\$ 1,181,026	\$ 1,287,820	\$ 205,650	\$ 266,491	\$ 1,386,676	\$ 1,554,311
Deferred inflows - pensions	\$ 25,774	\$ 17,670	\$ 54,770	\$ 37,550	\$ 80,544	\$ 55,220
Net position						
Net investment in capital assets	\$ 1,124,106	\$ 1,336,515	\$ 1,108,594	\$ 1,111,445	\$ 2,232,700	\$ 2,447,960
Restricted	297,170	277,091	-	-	297,170	277,091
Unrestricted	1,036,089	593,264	467,295	410,033	1,503,384	1,003,297
Total net position	\$ 2,457,365	\$ 2,206,870	\$ 1,575,889	\$ 1,521,478	\$ 4,033,254	\$ 3,728,348

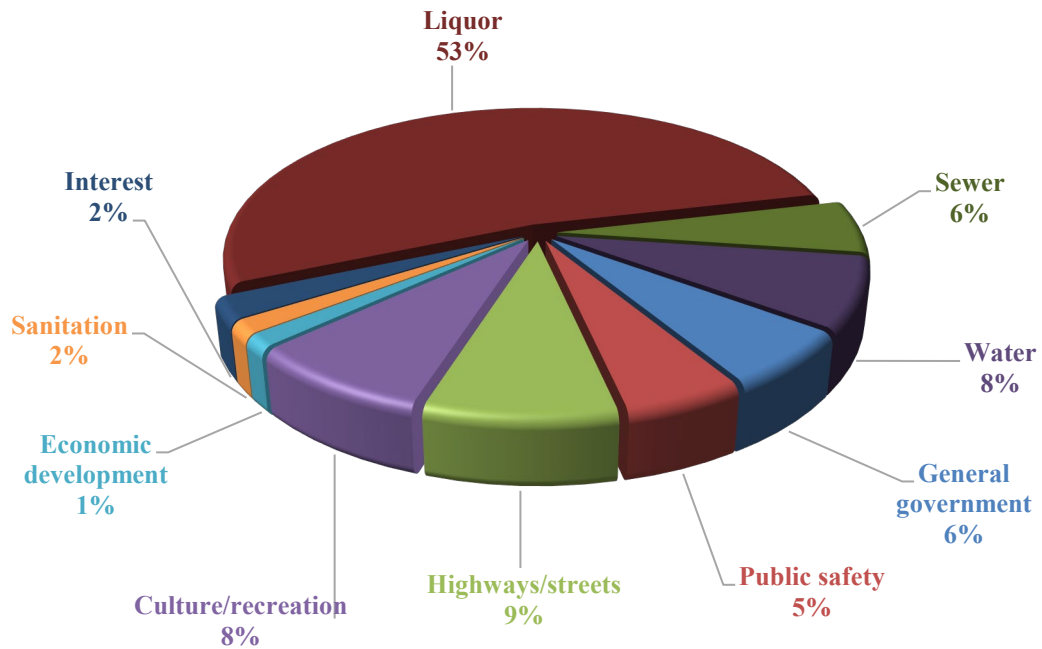
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 132,317	\$ 74,848	\$ 1,161,746	\$ 1,117,799	\$ 1,294,063	\$ 1,192,647
Operating grants and contributions	108,222	89,204	10,782	1,440	119,004	90,644
Capital grants and contributions	184,940	111,416	-	-	184,940	111,416
General Revenues and Transfers						
Property taxes	304,065	286,569	-	-	304,065	286,569
Grants and contributions not restricted to specific programs	44,501	38,777	-	-	44,501	38,777
Investment earnings	4,626	3,044	5,666	1,456	10,292	4,500
Insurance dividends	2,715	1,356	687	61	3,402	1,417
Transfers	25,000	15,000	(25,000)	(15,000)	-	-
Total revenues	\$ 806,386	\$ 620,214	\$ 1,153,881	\$ 1,105,756	\$ 1,960,267	\$ 1,725,970
Expenses						
General government	\$ 102,470	\$ 98,476	\$ -	\$ -	\$ 102,470	\$ 98,476
Public safety	87,829	71,105	-	-	87,829	71,105
Highways and streets	140,663	241,613	-	-	140,663	241,613
Sanitation	24,888	23,602	-	-	24,888	23,602
Culture and recreation	136,767	147,431	-	-	136,767	147,431
Economic development	22,552	24,788	-	-	22,552	24,788
Interest	40,722	41,939	-	-	40,722	41,939
Liquor	-	-	873,750	841,642	873,750	841,642
Sewer	-	-	96,530	115,174	96,530	115,174
Water	-	-	129,190	132,728	129,190	132,728
Total expenses	\$ 555,891	\$ 648,954	\$ 1,099,470	\$ 1,089,544	\$ 1,655,361	\$ 1,738,498
Increase (decrease) in net position	\$ 250,495	\$ (28,740)	\$ 54,411	\$ 16,212	\$ 304,906	\$ (12,528)
Net position, January 1	2,206,870	2,235,610	1,521,478	1,505,266	3,728,348	3,740,876
Net position, December 31	\$ 2,457,365	\$ 2,206,870	\$ 1,575,889	\$ 1,521,478	\$ 4,033,254	\$ 3,728,348

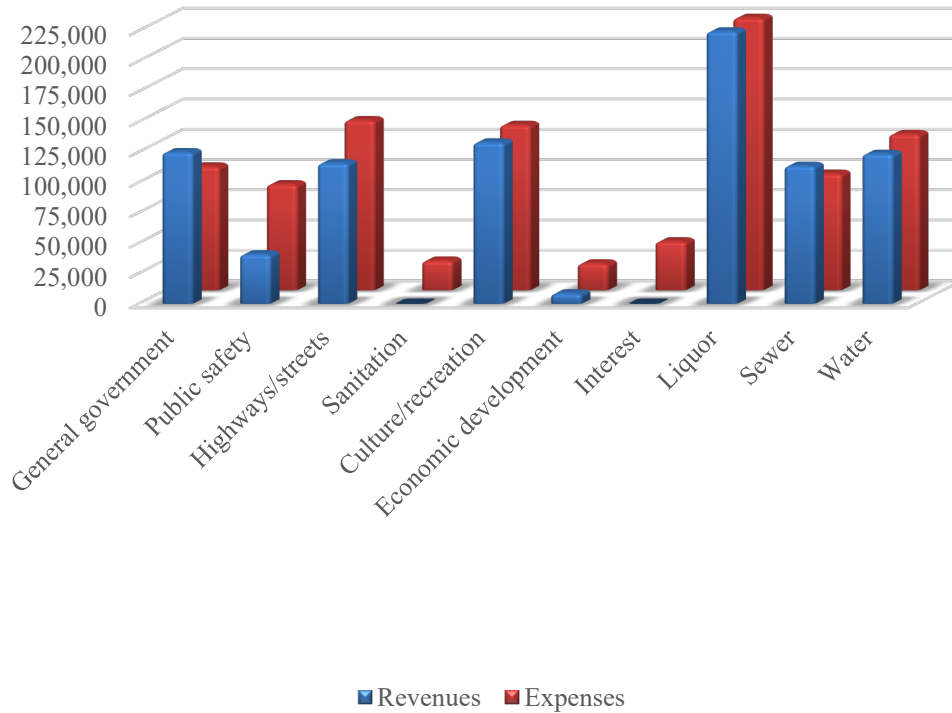
Revenues by Source



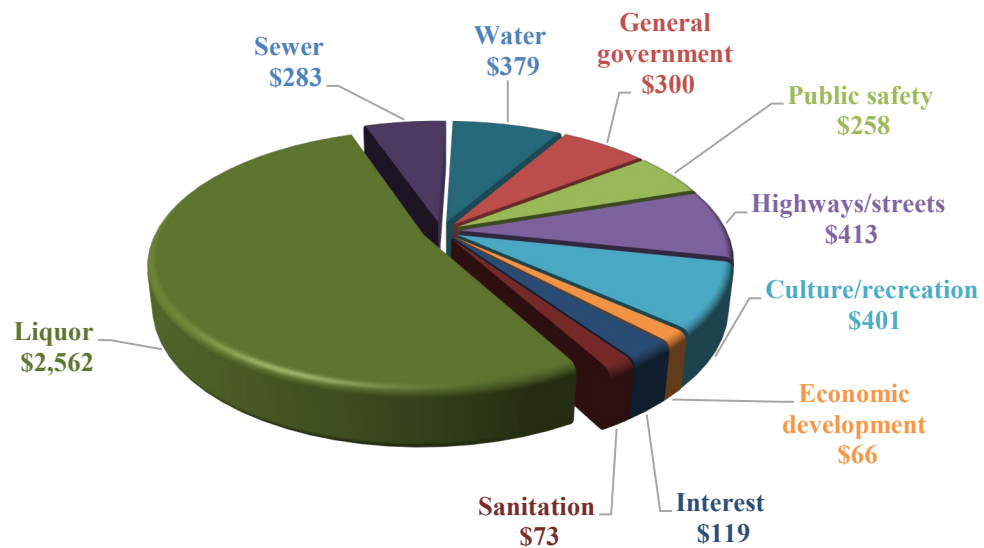
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 341 Population as of 2024



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2024, the City's governmental funds reported combined ending fund balances of \$589,275. 50 percent constitutes the restricted fund balance, 37 percent constitutes formally committed fund balance, and 13 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$220,007. The General Fund's committed fund balance was \$144,929, and the unassigned fund balance was \$75,078. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2024. Total fund balance represents 40 percent of total General Fund expenditures.

In 2024, the fund balance amount in the General Fund increased by \$38,514, primarily due to a \$25,000 transfer in from the Liquor Enterprise Fund.

The fund balance of the 2006 Street Project Debt Service Fund decreased by \$12,664 from the prior year, primarily as a result of debt payments in excess of taxes and special assessments collected.

The fund balance of the 2019 Street Project Debt Service Fund increased by \$43,521, primarily due to taxes and special assessments collected in excess of debt payments.

The fund balance of the nonmajor Vergas Economic Development Authority (EDA) Special Revenue Fund increased by \$48,400, primarily as a result of project donations and a grant from the West Central Initiative Fund.

Proprietary Funds

The Liquor Enterprise Fund reported an operating income in 2024 of \$60,566, reporting a strong profit margin.

In 2024, the Sewer Enterprise Fund reported an operating income of \$7,228, indicating they are collecting fees above operating costs.

The Water Enterprise Fund reported an operating loss in 2024 of \$3,238 primarily as a result of increased expenses and a large amount of depreciation on assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Vergas had no budgetary amendments in 2024.

Actual revenues were more than overall final budgeted revenues by \$101,050, with the largest positive variance in miscellaneous. Actual expenditures were more than overall final budgeted expenditures by \$62,536, with the largest negative variances in public safety and economic development.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounted to \$3,828,361 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 1 percent. This increase was due to improvements to the Linden parking lot and the main street office building improvements.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 101,412	\$ 66,637	\$ -	\$ -	\$ 101,412	\$ 66,637
Construction in progress	396,220	351,346	-	-	396,220	351,346
Infrastructure	1,692,535	1,733,389	910,123	911,921	2,602,658	2,645,310
Buildings and improvements	320,733	283,079	282,877	288,147	603,610	571,226
Machinery and equipment	96,342	117,064	28,119	31,377	124,461	148,441
Total capital assets	<u>\$ 2,607,242</u>	<u>\$ 2,551,515</u>	<u>\$ 1,221,119</u>	<u>\$ 1,231,445</u>	<u>\$ 3,828,361</u>	<u>\$ 3,782,960</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had a total debt outstanding of \$1,253,000 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Improvement Refunding Bonds of 2015	\$ 90,000	\$ 120,000	\$ -	\$ -	\$ 90,000	\$ 120,000
General Obligation Improvement Bonds, Series 2019A	825,000	865,000	-	-	825,000	865,000
Building lease purchase	230,000	230,000	-	-	230,000	230,000
General Obligation Water Revenue Note of 2022	-	-	108,000	120,000	108,000	120,000
	<u>\$ 1,145,000</u>	<u>\$ 1,215,000</u>	<u>\$ 108,000</u>	<u>\$ 120,000</u>	<u>\$ 1,253,000</u>	<u>\$ 1,335,000</u>

Minnesota Statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2024, overall debt of the City is below the three percent debt limit.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

- Specific unemployment statistics for the City of Vergas are not available. However, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Otter Tail County was 3.7 percent as of December 31, 2024. This is higher than the statewide rate of 2.6 percent and lower than the national average rate of 3.8 percent.
- The 2024 population of Vergas according to the League of Minnesota Cities was 341, a decrease since the 2020 census of 348.
- On December 10, 2024, the City of Vergas set its 2025 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the City of Vergas for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Vergas Clerk-Treasurer, City Hall, P.O. Box 32, Vergas, Minnesota 56587.

BASIC FINANCIAL STATEMENTS

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 252,449	\$ 106,634	\$ 359,083
Investments	345,219	303,062	648,281
Taxes receivable			
Current	2,269	-	2,269
Prior	10,780	-	10,780
Special assessments receivable			
Current	949	-	949
Prior	8,453	834	9,287
Accounts receivable	129	22,613	22,742
Inventory	-	164,320	164,320
Special assessments receivable - noncurrent	428,334	-	428,334
Capital assets			
Non-depreciable	497,632	-	497,632
Depreciable - net of accumulated depreciation	2,109,610	1,221,119	3,330,729
Total Assets	\$ 3,655,824	\$ 1,818,582	\$ 5,474,406
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 8,341	\$ 17,727	\$ 26,068
<u>Liabilities</u>			
Accounts payable	\$ 1,637	\$ 4,140	\$ 5,777
Salaries payable	5,085	1,331	6,416
Contracts payable	5,008	-	5,008
Due to other governments	10	5,670	5,680
Long-term liabilities			
Due within one year	75,282	15,393	90,675
Due in more than one year	1,055,387	97,056	1,152,443
Net pension liability	38,617	82,060	120,677
Total Liabilities	\$ 1,181,026	\$ 205,650	\$ 1,386,676
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 25,774	\$ 54,770	\$ 80,544
<u>Net Position</u>			
Net investment in capital assets	\$ 1,124,106	\$ 1,108,594	\$ 2,232,700
Amounts restricted for debt service	297,170	-	297,170
Unrestricted amounts	1,036,089	467,295	1,503,384
Total Net Position	\$ 2,457,365	\$ 1,575,889	\$ 4,033,254

**CITY OF VERGAS
VERGAS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

		Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
	Expenses		
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 102,470	\$ 100,354	\$ 25,102
Public safety	87,829	-	41,226
Highways and streets	140,663	12,402	2,599
Sanitation	24,888	-	-
Culture and recreation	136,767	10,543	39,295
Economic development	22,552	9,018	-
Interest	40,722	-	-
Total governmental activities	\$ 555,891	\$ 132,317	\$ 108,222
Business-type activities			
Liquor	\$ 873,750	\$ 934,316	\$ -
Sewer	96,530	103,758	10,391
Water	129,190	123,672	391
Total business-type activities	\$ 1,099,470	\$ 1,161,746	\$ 10,782
Total	\$ 1,655,361	\$ 1,294,063	\$ 119,004

General revenues and transfers

Property taxes
Grants and contributions not restricted to specific programs
Investment earnings
Insurance dividends
Transfers

Total general revenues and transfers

Change in Net Position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ 22,986	\$ -	\$ 22,986
-	(46,603)	-	(46,603)
101,282	(24,380)	-	(24,380)
-	(24,888)	-	(24,888)
83,658	(3,271)	-	(3,271)
-	(13,534)	-	(13,534)
-	(40,722)	-	(40,722)
\$ 184,940	\$ (130,412)	\$ -	\$ (130,412)
\$ -	\$ -	\$ 60,566	\$ 60,566
-	-	17,619	17,619
-	-	(5,127)	(5,127)
\$ -	\$ -	\$ 73,058	\$ 73,058
\$ 184,940	\$ (130,412)	\$ 73,058	\$ (57,354)
	\$ 304,065	\$ -	\$ 304,065
	44,501	-	44,501
	4,626	5,666	10,292
	2,715	687	3,402
	25,000	(25,000)	-
	\$ 380,907	\$ (18,647)	\$ 362,260
	\$ 250,495	\$ 54,411	\$ 304,906
	2,206,870	1,521,478	3,728,348
	\$ 2,457,365	\$ 1,575,889	\$ 4,033,254

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	2006 Street Project Debt Service	2019 Street Project Debt Service	Nonmajor Vergas EDA Special Revenue	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ -	\$ -	\$ 180,178	\$ 72,271	\$ 252,449
Investments	238,296	56,223	50,700	-	345,219
Taxes receivable					
Current	2,028	77	164	-	2,269
Prior	9,500	400	880	-	10,780
Special assessments receivable					
Current	-	784	165	-	949
Prior	-	1,349	7,104	-	8,453
Accounts receivable	129	-	-	-	129
Due from other funds	-	8,879	-	-	8,879
Special assessments receivable - noncurrent	-	22,889	405,445	-	428,334
Total Assets	\$ 249,953	\$ 90,601	\$ 644,636	\$ 72,271	\$ 1,057,461
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 1,637	\$ -	\$ -	\$ -	\$ 1,637
Salaries payable	4,912	-	-	173	5,085
Contracts payable	5,008	-	-	-	5,008
Due to other funds	8,879	-	-	-	8,879
Due to other governments	10	-	-	-	10
Total Liabilities	\$ 20,446	\$ -	\$ -	\$ 173	\$ 20,619
Deferred Inflows of Resources					
Taxes	\$ 9,500	\$ 400	\$ 880	\$ -	\$ 10,780
Special assessments	-	24,238	412,549	-	436,787
Total Deferred Inflows of Resources	\$ 9,500	\$ 24,638	\$ 413,429	\$ -	\$ 447,567
Fund Balances					
Restricted for debt service					
Debt service	\$ -	\$ 65,963	\$ 231,207	\$ -	\$ 297,170
Committed to					
City shop	8,132	-	-	-	8,132
Easement	5,279	-	-	-	5,279
Economic development	-	-	-	72,098	72,098
Event Center	11,071	-	-	-	11,071
Parks	35,849	-	-	-	35,849
Recreation programs	14,632	-	-	-	14,632
Sand seal	13,098	-	-	-	13,098
Sidewalk improvements	15,038	-	-	-	15,038
Street improvements	41,830	-	-	-	41,830
Unassigned	75,078	-	-	-	75,078
Total Fund Balances	\$ 220,007	\$ 65,963	\$ 231,207	\$ 72,098	\$ 589,275
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 249,953	\$ 90,601	\$ 644,636	\$ 72,271	\$ 1,057,461

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

Fund balances - total governmental funds (Exhibit 3)	\$	589,275
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,607,242
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		447,567
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Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the governmental funds.

Compensated absences payable	\$ (903)	
Capital equipment notes payable	(230,000)	
General obligation bonds payable	(915,000)	
Unamortized discount on bonds payable	<u>15,234</u>	(1,130,669)

Net pension asset, net pension liability and related inflows/outflows of resources
represent the allocation of the pension obligations of the statewide plans to the City.
Such balances are not reported in the governmental funds:

Net pension liability	\$ (38,617)	
Deferred outflows of resources related to pensions	8,341	
Deferred inflows of resources related to pensions	<u>(25,774)</u>	<u>(56,050)</u>

Net position of governmental activities (Exhibit 1)	\$	<u>2,457,365</u>
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**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General Fund	2006 Street Project Debt Service	2019 Street Project Debt Service	Nonmajor Vergas EDA Special Revenue	Total Governmental Funds
Revenues					
Property taxes	\$ 272,446	\$ 10,364	\$ 23,212	\$ -	\$ 306,022
Special assessments	-	9,769	85,635	-	95,404
Licenses and permits	52,921	-	-	-	52,921
Intergovernmental	140,023	-	-	24,292	164,315
Charges for services	1,411	-	-	-	1,411
Gifts and contributions	34,468	-	-	50,000	84,468
Investment earnings	3,926	-	700	-	4,626
Miscellaneous	59,253	-	-	9,018	68,271
Total Revenues	\$ 564,448	\$ 20,133	\$ 109,547	\$ 83,310	\$ 777,438
Expenditures					
Current					
General government	\$ 97,908	\$ 14	\$ -	\$ -	\$ 97,922
Public safety	86,872	-	-	-	86,872
Highways and streets	103,970	-	-	-	103,970
Sanitation	15,615	-	-	-	15,615
Culture and recreation	121,022	-	-	-	121,022
Economic development	10,778	-	-	11,774	22,552
Total Current	\$ 436,165	\$ 14	\$ -	\$ 11,774	\$ 447,953
Debt service					
Principal retirement	\$ -	\$ 30,000	\$ 40,000	\$ -	\$ 70,000
Interest	10,961	2,783	26,026	-	39,770
Total Debt service	\$ 10,961	\$ 32,783	\$ 66,026	\$ -	\$ 109,770
Capital outlay					
General government	\$ 91,508	\$ -	\$ -	\$ -	\$ 91,508
Highways and streets	7,300	-	-	-	7,300
Culture and recreation	-	-	-	28,136	28,136
Total Capital outlay	\$ 98,808	\$ -	\$ -	\$ 28,136	\$ 126,944
Total Expenditures	\$ 545,934	\$ 32,797	\$ 66,026	\$ 39,910	\$ 684,667
Excess of Revenues Over (Under) Expenditures	\$ 18,514	\$ (12,664)	\$ 43,521	\$ 43,400	\$ 92,771
Other Financing Sources (Uses)					
Transfers in	\$ 25,000	\$ -	\$ -	\$ 5,000	\$ 30,000
Transfers out	(5,000)	-	-	-	(5,000)
Total Other Financing Sources (Uses)	\$ 20,000	\$ -	\$ -	\$ 5,000	\$ 25,000
Net Change in Fund Balance	\$ 38,514	\$ (12,664)	\$ 43,521	\$ 48,400	\$ 117,771
Fund Balance - January 1	181,493	78,627	187,686	23,698	471,504
Fund Balance - December 31	\$ 220,007	\$ 65,963	\$ 231,207	\$ 72,098	\$ 589,275

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	117,771
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Amounts reported for governmental activities in the
Statement of Activities are different because:

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

Purchase of capital assets	\$	126,944	
Current year depreciation		(71,217)	55,727

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the governmental funds.

Change in			
Taxes receivable	\$	(1,957)	
Special assessments receivable		5,878	3,921

The issuance of long-term debt provides current financial resources to governmental
funds, but increases long-term liabilities in the Statement of Net Position, while the
repayment of the principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction has any effect on net position.

Principal repayment			70,000
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Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Change in compensated absences payable	\$	(10)	
Amortization of bond discount		(952)	
Deferred outflows of resources related to pensions		(8,292)	
Net pension liability		20,434	
Deferred inflows of resources related to pensions		(8,104)	3,076

Change in net position of governmental activities (Exhibit 2)	\$	<u><u>250,495</u></u>
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**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024**

	Liquor Enterprise	Sewer Enterprise	Water Enterprise	Total
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 25,647	\$ -	\$ 80,987	\$ 106,634
Investments	287,802	-	15,260	303,062
Special assessments receivable - prior	-	417	417	834
Accounts receivable	-	10,169	12,444	22,613
Due from other funds	-	-	89,415	89,415
Inventory	164,320	-	-	164,320
Total Current Assets	\$ 477,769	\$ 10,586	\$ 198,523	\$ 686,878
Noncurrent Assets				
Capital assets				
Depreciable - net of accumulated depreciation	290,584	249,935	680,600	1,221,119
Total Assets	\$ 768,353	\$ 260,521	\$ 879,123	\$ 1,907,997
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ 7,560	\$ 4,953	\$ 5,214	\$ 17,727
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 1,759	\$ 605	\$ 1,776	\$ 4,140
Salaries payable	563	384	384	1,331
Compensated absences payable	1,559	365	469	2,393
Due to other funds	-	89,415	-	89,415
Due to other governments	5,579	-	91	5,670
Revenue bonds payable - current	-	-	13,000	13,000
Total Current Liabilities	\$ 9,460	\$ 90,769	\$ 15,720	\$ 115,949
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 872	\$ 1,184	\$ 2,056
Revenue bonds payable - long term	-	-	95,000	95,000
Net pension liability	34,996	22,929	24,135	82,060
Total Noncurrent Liabilities	\$ 34,996	\$ 23,801	\$ 120,319	\$ 179,116
Total Liabilities	\$ 44,456	\$ 114,570	\$ 136,039	\$ 295,065
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ 23,358	\$ 15,303	\$ 16,109	\$ 54,770
<u>Net Position</u>				
Net investment in capital assets	\$ 290,584	\$ 245,410	\$ 572,600	\$ 1,108,594
Unrestricted amounts	417,515	(109,809)	159,589	467,295
Total Net Position	\$ 708,099	\$ 135,601	\$ 732,189	\$ 1,575,889

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Liquor Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Sales and Cost of Goods Sold				
Sales	\$ 934,292	\$ -	\$ -	\$ 934,292
Cost of goods sold	(684,360)	-	-	(684,360)
Gross Profit	\$ 249,932	\$ -	\$ -	\$ 249,932
Operating Revenues				
Charges for services	\$ -	\$ 103,572	\$ 123,672	\$ 227,244
Miscellaneous	24	186	-	210
Total Operating Revenues	\$ 24	\$ 103,758	\$ 123,672	\$ 227,454
Total Gross Profit and Operating Revenues	\$ 249,956	\$ 103,758	\$ 123,672	\$ 477,386
Operating Expenses				
Personnel services	\$ 130,673	\$ 58,548	\$ 62,993	\$ 252,214
Professional services	5,355	1,363	1,358	8,076
Advertising	2,142	-	-	2,142
Insurance	5,197	3,084	2,613	10,894
Repairs and maintenance	4,789	2,597	3,063	10,449
Supplies	4,525	16,738	15,471	36,734
Utilities	9,183	3,018	6,213	18,414
Miscellaneous	4,598	2,363	3,978	10,939
Depreciation	22,928	8,819	31,221	62,968
Total Operating Expenses	\$ 189,390	\$ 96,530	\$ 126,910	\$ 412,830
Operating Income (Loss)	\$ 60,566	\$ 7,228	\$ (3,238)	\$ 64,556
Nonoperating Revenues (Expenses)				
Special assessments	\$ -	\$ 391	\$ 391	\$ 782
Intergovernmental	-	-	10,000	10,000
Investment earnings	3,760	1,670	236	5,666
Interest expense	-	-	(2,280)	(2,280)
Miscellaneous	-	-	687	687
Total Nonoperating Revenues (Expenses)	\$ 3,760	\$ 2,061	\$ 9,034	\$ 14,855
Income (Loss) Before Transfers	\$ 64,326	\$ 9,289	\$ 5,796	\$ 79,411
Transfers out	(25,000)	-	-	(25,000)
Change in Net Position	\$ 39,326	\$ 9,289	\$ 5,796	\$ 54,411
Net Position - January 1	668,773	126,312	726,393	1,521,478
Net Position - December 31	\$ 708,099	\$ 135,601	\$ 732,189	\$ 1,575,889

**CITY OF VERGAS
VERGAS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024
Increase (Decrease) in Cash and Cash Equivalents**

	Liquor Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,020,683	\$ 105,965	\$ 126,003	\$ 1,252,651
Payments to employees	(137,299)	(62,321)	(66,644)	(266,264)
Payments to suppliers	(786,429)	(30,850)	(34,392)	(851,671)
Net cash provided by (used in) operating activities	\$ 96,955	\$ 12,794	\$ 24,967	\$ 134,716
Cash Flows from Noncapital Financing Activities				
Special assessments received	\$ -	\$ 223	\$ 223	\$ 446
Intergovernmental	-	-	10,000	10,000
Miscellaneous	-	-	907	907
Transfers from other funds	-	89,415	99,577	188,992
Transfers to other funds	(25,000)	(99,577)	(89,415)	(213,992)
Net cash provided by (used in) noncapital financing activities	\$ (25,000)	\$ (9,939)	\$ 21,292	\$ (13,647)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	\$ (10,117)	\$ (4,525)	\$ (38,000)	\$ (52,642)
Principal paid on bonds	-	-	(12,000)	(12,000)
Interest paid on bonds	-	-	(2,280)	(2,280)
Net cash provided by (used in) capital and related financing activities	\$ (10,117)	\$ (4,525)	\$ (52,280)	\$ (66,922)
Cash Flows from Investing Activities				
Investment earnings received	\$ 3,760	\$ 1,670	\$ 236	\$ 5,666
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 65,598	\$ -	\$ (5,785)	\$ 59,813
Cash and Cash Equivalents at January 1	247,851	-	102,032	349,883
Cash and Cash Equivalents at December 31	\$ 313,449	\$ -	\$ 96,247	\$ 409,696

**CITY OF VERGAS
VERGAS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Liquor Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 60,566	\$ 7,228	\$ (3,238)	\$ 64,556
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ 22,928	\$ 8,819	\$ 31,221	\$ 62,968
(Increase) decrease in assets				
Accounts receivable	179	606	1,161	1,946
Inventory	19,471	-	-	19,471
Increase (decrease) in liabilities				
Accounts payable	550	(70)	(309)	171
Salaries payable	(2,746)	(1,204)	(1,204)	(5,154)
Compensated absences payable	(243)	(186)	(408)	(837)
Due to other governments	(89)	-	(71)	(160)
Net pension liability	(3,661)	(2,399)	(2,185)	(8,245)
Total adjustments	<u>\$ 36,389</u>	<u>\$ 5,566</u>	<u>\$ 28,205</u>	<u>\$ 70,160</u>
Net cash provided by (used in) operating activities	<u>\$ 96,955</u>	<u>\$ 12,794</u>	<u>\$ 24,967</u>	<u>\$ 134,716</u>

CITY OF VERGAS VERGAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), except as described in the basis for qualified opinion on page 2. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The Charter of the City of Vergas was adopted on November 10, 1903, and has the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, sanitation, culture and recreation, economic development, municipal liquor store, and sewer and water utilities as authorized by its charter.

The Vergas Fire Relief Association is organized to provide pension and other benefits to its members in accordance with Minnesota statutes. The Relief Association is a defined benefit plan type and is required by GASB Pronouncement No. 68 to be included in the financial statements of the City.

Blended Component Unit

The Vergas Economic Development Authority was created in 2015 and is reported as a nonmajor Special Revenue Fund within the City's financial statements. The Authority's Board of Directors is appointed by the Vergas City Council and includes two members of the Vergas City Council, with the City Clerk/Treasurer also serving as Secretary/Treasurer of the EDA. The Authority has no capital assets or debt. The Authority does not issue separate financial statements.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. 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 to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

revenues include: (1) fees, charges, and other revenues paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues and transfers.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes, grants, donations, subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The 2006 Street Project Debt Service Fund is used to account for and report the collection of special assessments restricted for debt service.

The 2019 Street Project Debt Service Fund is used to account for and report the collection of special assessments restricted for debt service.

Additionally, the City reports the Vergas Economic Development Authority Special Revenue Fund as a non-major fund.

The City reports the following major enterprise funds:

The Liquor Store Enterprise Fund is used to account for the operations of the liquor store. Financing is provided through the liquor store's sale of off-sale liquor.

The Sewer Enterprise Fund is used to account for operations of the sewer utility. Financing is provided by charges to residents for services.

The Water Enterprise Fund is used to account for operations of the water utility. Financing is provided by charges to residents for services.

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. The City considers tax revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents are valued at fair value.

2. Deposits and Investments

The cash balances of the funds are invested by the City Clerk-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024, based on market prices. Investment earnings on cash and pooled investments are allocated to the funds with deposits. Pooled investment earnings for 2024 were \$3,065. Total investment earnings for 2024 were \$10,292.

3. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed by Otter Tail County in March with the first half payment due on May 15 and the second half due on October 15.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2013 through 2024 and noncurrent special assessments collectible in 2025 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

3. Receivables and Payables (Continued)

Accounts receivable consist primarily of charges for services for sewer and water.

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 from/to other funds” (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

4. Inventory

All inventories are valued at cost using the First-In, First-Out (FIFO) method. Inventories in the proprietary funds are recorded as expenses when consumed.

5. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., sewers and water mains), buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	30-50
Buildings and improvements	20-30
Machinery and equipment	5-10

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports special assessments levied for subsequent years and delinquent property tax and special assessments receivable as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation, sick leave, and sick and safe time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund, and the Liquor, Sewer, and Water Enterprise Funds.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed. In the fund financial statements, governmental fund types recognize the face amount of the debt is reported as other financing sources when issued.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

9. Pensions (Continued)

purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the pension liability is liquidated by the General Fund. For the business type activities, the pension liability is liquidated by the Liquor, Sewer, and Water Enterprise Funds.

10. Net Position and Fund Balance

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. The City of Vergas has no non-spendable fund balance as of December 31, 2024.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk-Treasurer. The City of Vergas has no assigned fund balance as of December 31, 2024.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

**CITY OF VERGAS
VERGAS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

10. Net Position and Fund Balance (Continued)

The City will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by taxes.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when an emergency situation, revenue shortages, or budgetary imbalances exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The City does not identify an amount for stabilization as of December 31, 2024.

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. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

11. Use of Estimates

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 the reported amounts of assets, liabilities, and deferred outflows/inflows of resources, and disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2024, are as follows:

CITY OF VERGAS VERGAS, MINNESOTA

II. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Government-wide Statement of Net Position	
<i>Governmental Activities</i>	
Cash and pooled investments	\$ 252,449
Investments	345,219
<i>Business-type Activities</i>	
Cash and pooled investments	106,634
Investments	303,062
	<hr/>
Total Cash and Investments	\$ 1,007,364
	<hr/>
Checking accounts	\$ 191,055
Savings accounts	597,056
Certificates of deposit	219,253
	<hr/>
Total Deposits	\$ 1,007,364
	<hr/>

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2024, the City's deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2024, for the City's governmental and business-type activities, are as follows:

**CITY OF VERGAS
VERGAS, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes receivable	\$ 13,049	\$ -
Special assessments receivable	438,570	436,787
Accounts receivable	129	-
	<u>451,748</u>	<u>436,787</u>
Total Governmental Activities	<u>\$ 451,748</u>	<u>\$ 436,787</u>
Business-Type Activities		
Special assessments receivable	\$ 834	\$ -
Accounts	22,613	-
	<u>23,447</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 23,447</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2024, was as follows:

**CITY OF VERGAS
VERGAS, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 66,637	\$ 34,775	\$ -	\$ 101,412
Construction in progress	351,346	44,874	-	396,220
Total capital assets not depreciated	\$ 417,983	\$ 79,649	\$ -	\$ 497,632
Capital assets being depreciated				
Infrastructure	\$ 2,055,249		\$ -	\$ 2,055,249
Buildings and improvements	358,986	47,295	-	406,281
Machinery and equipment	296,610			296,610
Total capital assets being depreciated	\$ 2,710,845	\$ 47,295	\$ -	\$ 2,758,140
Less: accumulated depreciation for				
Infrastructure	\$ 321,860	\$ 40,854	\$ -	\$ 362,714
Buildings and improvements	75,907	9,641	-	85,548
Machinery and equipment	179,546	20,722	-	200,268
Total accumulated depreciation	\$ 577,313	\$ 71,217	\$ -	\$ 648,530
Total capital assets, depreciated, net	\$ 2,133,532	\$ (23,922)	\$ -	\$ 2,109,610
Governmental Activities Capital Assets, Net	<u>\$ 2,551,515</u>	<u>\$ 55,727</u>	<u>\$ -</u>	<u>\$ 2,607,242</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Infrastructure	\$ 1,840,255	\$ 38,000	\$ -	\$ 1,878,255
Buildings and improvements	494,724	10,117	-	504,841
Machinery and equipment	111,474	4,525	-	115,999
Total capital assets being depreciated	\$ 2,446,453	\$ 52,642	\$ -	\$ 2,499,095
Less: accumulated depreciation for				
Infrastructure	\$ 928,334	\$ 39,798	\$ -	\$ 968,132
Buildings and improvements	206,577	15,387	-	221,964
Machinery and equipment	80,097	7,783	-	87,880
Total accumulated depreciation	\$ 1,215,008	\$ 62,968	\$ -	\$ 1,277,976
Business-Type Activities Capital Assets, Net	<u>\$ 1,231,445</u>	<u>\$ (10,326)</u>	<u>\$ -</u>	<u>\$ 1,221,119</u>

CITY OF VERGAS VERGAS, MINNESOTA

II. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities		
General government	\$	8,563
Public safety		957
Highways and streets		36,681
Sanitation		9,273
Culture and recreation		15,743
		<hr/>
Total Depreciation Expense - Governmental Activities	\$	71,217
		<hr/> <hr/>
Business-Type Activities		
Liquor	\$	22,928
Sewer		8,819
Water		31,221
		<hr/>
Total Depreciation Expense - Business-Type Activities	\$	62,968
		<hr/> <hr/>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
2006 Street Project Debt Service Fund	General Fund	\$ 8,879	Posting errors for taxes
Water Enterprise Fund	Sewer Enterprise Fund	\$ 89,415	To cover cash deficit
Total Due To /Due From Other Funds:		<hr/> <hr/> \$ 98,294	

**CITY OF VERGAS
VERGAS, MINNESOTA**

II. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

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

Transfer to General Fund from Liquor Enterprise Fund	\$ 25,000	Appropriation
Transfer to Vergas EDA Special Revenue Fund from General Fund	<u>5,000</u>	Appropriation
Total Interfund Transfers:	<u><u>\$ 30,000</u></u>	

C. Liabilities

Compensated Absences

Under the City's personnel policies, employees are granted paid time off (PTO) in varying amounts based on their length of service. PTO accrual varies from 15 to 25 days per year with a maximum accrual limit of 25 days. Accrued PTO will be paid to employees leaving in good standing upon resignation or retirement.

Part-time, temporary, and seasonal employees scheduled to work at least 80 hours per year will accrue Earned Sick and Safe Time Leave at a rate of one hour for every 30 hours worked, to a maximum of 48 hours each calendar year which is not paid out at termination.

Long-Term Debt

Governmental Activities

The City of Vergas General Obligation Improvement Refunding Bonds of 2015 represent debt incurred to refund General Obligation Improvement Bonds of 2006. These bonds have an original issue amount of \$299,000. They carry a net interest rate of 2.4158 percent and are due in annual installments from the 2006 Street Debt Service Fund of between \$25,000 and \$33,000 and mature in 2027. As a result of the refunding, the City realized an economic gain of \$32,189 with a present value of \$25,352. The balance due on December 31, 2024, is \$90,000.

The City of Vergas General Obligation Improvement Bonds, Series 2019A, represent debt incurred to finance various street improvement projects throughout the City. These bonds have an original issue amount of \$985,000, carry an interest rate of 3.2644 percent, and are due in semi-annual installments paid from the 2019 Street Project Debt Service Fund of \$40,000 to \$65,000 through February 1, 2040. The balance due on these bonds on December 31, 2024, is \$825,000.

The City of Vergas General Obligation Building Lease Purchase of 2023A represents debt incurred to finance the purchase of a Government Office Building next door to the current building. This lease has an original issue amount of \$230,000, carries an interest rate of 6.2529 percent, and is due in annual installments paid from the General Fund of \$6,000 to \$23,000 through February 1, 2039. The balance due on this lease on December 31, 2024, is \$230,000.

**CITY OF VERGAS
VERGAS, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business-Type Activities

The City of Vergas Water Revenue Note of 2022 represents debt incurred to replace filtration media in the water plant and inspect and repair walls. This note has an original issue amount of \$132,000. It carries a net interest rate of 3.25 percent and is due in annual installments from the Water Enterprise Fund of \$12,000 to \$14,000 through February 1, 2032. The balance due on this note on December 31, 2024, is \$108,000.

Debt Service Requirements

Debt service requirements for the governmental and the business-type activities at December 31, 2024, are as follows:

Year Ending December 31	Governmental Activities					
	General Obligation Refunding Bonds of 2015		General Obligation Street Improvement Bonds, 2019A		General Obligation Lease Purchase	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	29,000	2,001	40,000	24,552	6,000	14,068
2026	28,000	1,246	45,000	23,510	11,000	13,566
2027	33,000	437	45,000	22,328	11,000	12,918
2028	-	-	45,000	21,068	12,000	12,239
2029	-	-	45,000	19,808	13,000	11,501
2030-2034	-	-	250,000	78,145	75,000	44,955
2035-2039	-	-	290,000	35,619	102,000	17,152
2040	-	-	65,000	1,099	-	-
Total:	<u>\$ 90,000</u>	<u>\$ 3,684</u>	<u>\$ 825,000</u>	<u>\$ 226,129</u>	<u>\$ 230,000</u>	<u>\$ 126,399</u>

Business-Type Activities

Year Ending December 31	Water Revenue Note of 2022	
	Principal	Interest
2025	\$ 13,000	\$ 2,030
2026	13,000	1,770
2027	13,000	1,510
2028	13,000	1,250
2029	14,000	980
2030-2032	<u>42,000</u>	<u>1,260</u>
Total	<u>\$ 108,000</u>	<u>\$ 8,800</u>

**CITY OF VERGAS
VERGAS, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental and business-type activities for the year ended December 31, 2024, was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Refunding Bonds of 2015	\$ 120,000	\$ -	\$ 30,000	\$ 90,000	\$ 29,000
General Obligation Improvement Bonds, Series 2019A	865,000	-	40,000	825,000	40,000
General Obligation Lease Purchase	230,000	-	-	230,000	6,000
Compensated Absences	894	7,075	7,066	903	282
Net Pension Liability	<u>59,050</u>	<u>-</u>	<u>20,433</u>	<u>38,617</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,274,944</u>	<u>\$ 7,075</u>	<u>\$ 77,066</u>	<u>\$ 1,184,520</u>	<u>\$ 75,282</u>
Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Revenue Note of 2022	\$ 120,000	\$ -	\$ 12,000	\$ 108,000	\$ 13,000
Compensated Absences	4,817	8,146	8,514	4,449	2,394
Net Pension Liability	<u>125,481</u>	<u>-</u>	<u>43,421</u>	<u>82,060</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 250,298</u>	<u>\$ 8,146</u>	<u>\$ 63,935</u>	<u>\$ 194,509</u>	<u>\$ 15,394</u>

D. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes and special assessments, not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2024, are summarized below by fund:

CITY OF VERGAS VERGAS, MINNESOTA

II. Detailed Notes on All Funds

D. Deferred Inflows of Resources (Continued)

	Taxes	Special Assessments	Total
Major governmental funds			
General	\$ 9,500	\$ -	\$ 9,500
Debt service funds			
2006 Street Improvements	400	24,238	24,638
2019 Street Improvements	880	412,529	413,409
	<u>\$ 10,780</u>	<u>\$ 436,767</u>	<u>\$ 447,547</u>

IV. Defined Benefit Pension Plan

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

B. Benefits Provided

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

General 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

**CITY OF VERGAS
VERGAS, MINNESOTA**

IV. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

of .25 percent of 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 a 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 increase will receive a prorated increase.

C. Contributions

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

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024, and the City of Vergas was required to contribute 7.50 percent for General Plan members. The City of Vergas' contributions to the General Employees Fund for the year ended December 31, 2024, were \$22,424. The City of Vergas' contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2024, the City of Vergas reported a liability of \$120,667 for its proportionate share of the General Employees Fund's net pension liability. The City of Vergas' net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Vergas totaled \$3,120.

City of Vergas'	
proportionate share of the net pension liability	\$ 120,667
State of Minnesota's proportionate share of	
the net pension liability associated with	
the City of Vergas	<u>3,120</u>
Total	<u>\$ 123,787</u>

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

**CITY OF VERGAS
VERGAS, MINNESOTA**

IV. Defined Benefit Pension Plan

D. Pension Costs (Continued)

of Vergas' proportionate share was .0033 percent at the end of the measurement period and .0033 percent for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2024, the City of Vergas recognized pension expense of \$3,120 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Vergas recognized an additional \$84 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 of Vergas recognized \$5,552 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,387	\$ -
Changes in actuarial assumptions	595	46,039
Net collective difference between projected and actual investment earnings	-	33,005
Changes in proportion	2,136	1,500
Contributions paid to PERA subsequent to the measurement date	11,950	-
Total	<u>\$ 26,068</u>	<u>\$ 80,544</u>

The \$11,950 reported as deferred outflows of resources related to pensions resulting from the City of Vergas' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2025	\$ (34,831)
2026	\$ (7,016)
2027	\$ (15,239)
2028	\$ (9,250)

**CITY OF VERGAS
VERGAS, MINNESOTA**

IV. Defined Benefit Pension Plan

D. Pension Costs (Continued)

Aggregate Pension Expense

The total pension expense for all plans recognized by the City of Vergas for the year ended December 31, 2024, was \$3,204.

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighing 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 Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total:	100.0%	

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25 percent for the General Employees Plan, and benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is 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. PERA anticipates the experience study will be approved

**CITY OF VERGAS
VERGAS, MINNESOTA**

IV. Defined Benefit Pension Plan

F. Actuarial Methods and Assumptions (Continued)

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:

Changes in Actuarial Assumptions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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.

H. Pension Liability Sensitivity

The following presents the City of Vergas' 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 of Vergas' proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis			
<i>Net Pension Liability (Asset) at Different Discount Rates</i>			
	General Employees Fund		
1% Lower	6.00%	\$	263,578
Current Discount Rate	7.00%	\$	120,667
1% Higher	8.00%	\$	3,128

CITY OF VERGAS VERGAS, MINNESOTA

IV. Defined Benefit Pension Plan (Continued)

I. Pension Plan Fiduciary Net Position

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

IV. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Three employees of the City of Vergas are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Vergas during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 257	\$ 257	5%	5%	5%

V. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The City, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The City Council estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; employee health coverage; or natural disasters. The City has entered into a joint powers agreement with other Minnesota cities to form the League of Minnesota Cities Insurance Trust (LMCIT) to cover workers' compensation and property and casualty liabilities. There were no

**CITY OF VERGAS
VERGAS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

C. Conduit Debt

Pursuant to Minn. Stat. Sec. §462C, as amended (the "Housing Act"), and Minn. Stat. Sec. §471.656, as amended (the "Industrial Development Act"), the City issued revenue bonds to provide financial refinancing assistance to CDL Homes, Inc. a Minnesota nonprofit corporation which owns and operates nursing home and skilled care facilities in Minnesota. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of CDL Homes, Inc. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. As of December 31, 2024, the balance due on these bonds is \$7,955,000.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VERGAS
VERGAS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 271,225	\$ 271,225	\$ 272,446	\$ 1,221
Licenses and permits	40,110	40,110	52,921	12,811
Intergovernmental	112,743	112,743	140,023	27,280
Charges for services	2,000	2,000	1,411	(589)
Gifts and contributions	6,000	6,000	34,468	28,468
Investment earnings	900	900	3,926	3,026
Miscellaneous	30,420	30,420	59,253	28,833
Total Revenues	\$ 463,398	\$ 463,398	\$ 564,448	\$ 101,050
Expenditures				
Current				
General government				
Mayor/council	\$ 13,430	\$ 13,430	\$ 10,814	\$ 2,616
City clerk/treasurer	32,248	32,248	35,063	(2,815)
Administration	41,381	41,381	37,935	3,446
Elections	1,950	1,950	2,974	(1,024)
Professional services	2,125	2,125	2,967	(842)
Legal	5,000	5,000	-	5,000
Insurance	3,200	3,200	6,559	(3,359)
Other general government	1,000	1,000	1,596	(596)
Total general government	\$ 100,334	\$ 100,334	\$ 97,908	\$ 2,426
Public safety				
Fire	\$ 30,605	\$ 30,605	\$ 54,316	\$ (23,711)
Fire relief association	-	-	32,556	(32,556)
Total public safety	\$ 30,605	\$ 30,605	\$ 86,872	\$ (56,267)
Highways and streets				
Street department	\$ 113,887	\$ 113,887	\$ 88,797	\$ 25,090
Snow and ice removal	-	-	447	(447)
Street lighting	15,000	15,000	7,914	7,086
Shop	10,130	10,130	6,812	3,318
Total highways and streets	\$ 139,017	\$ 139,017	\$ 103,970	\$ 35,047
Sanitation				
Recycling center	\$ 16,800	\$ 16,800	\$ 15,615	\$ 1,185

**CITY OF VERGAS
VERGAS, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Parks	\$ 74,940	\$ 74,940	\$ 70,702	\$ 4,238
Community center	40,841	40,841	44,800	(3,959)
Trails	-	-	3,020	(3,020)
Other culture and recreation	-	-	2,500	(2,500)
Total culture and recreation	\$ 115,781	\$ 115,781	\$ 121,022	\$ (5,241)
Economic development				
Small Cities Development Program	\$ -	\$ -	\$ 10,778	\$ (10,778)
Total current	\$ 402,537	\$ 402,537	\$ 436,165	\$ (33,628)
Debt service				
Interest	\$ -	\$ -	\$ 10,961	\$ (10,961)
Capital outlay				
General government	\$ 6,500	\$ 6,500	\$ 91,508	\$ (85,008)
Highways and streets	47,861	47,861	7,300	40,561
Sanitation	1,500	1,500	-	1,500
Culture and recreation	25,000	25,000	-	25,000
Total capital outlay	\$ 80,861	\$ 80,861	\$ 98,808	\$ (17,947)
Total Expenditures	\$ 483,398	\$ 483,398	\$ 545,934	\$ (62,536)
Excess of Revenues Over (Under)				
Expenditures	\$ (20,000)	\$ (20,000)	\$ 18,514	\$ 38,514
Other Financing Sources (Uses)				
Transfers in	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Transfers out	(5,000)	(5,000)	(5,000)	-
Total Other Financing Sources (Uses)	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ 38,514	\$ 38,514
Fund Balance - January 1	181,493	181,493	181,493	-
Fund Balance - December 31	\$ 181,493	\$ 181,493	\$ 220,007	\$ 38,514

**CITY OF VERGAS
VERGAS, MINNESOTA**

Schedule 2

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 22,424	\$ 22,424	\$ -	\$ 300,701	7.5%
December 31, 2023	\$ 20,307	\$ 20,307	\$ -	\$ 270,766	7.5%
December 31, 2022	\$ 19,613	\$ 19,613	\$ -	\$ 262,469	7.5%
December 31, 2021	\$ 17,448	\$ 17,448	\$ -	\$ 233,947	7.5%
December 31, 2020	\$ 16,498	\$ 16,498	\$ -	\$ 221,039	7.5%
December 31, 2019	\$ 15,680	\$ 15,680	\$ -	\$ 209,067	7.5%
December 31, 2018	\$ 13,454	\$ 13,454	\$ -	\$ 179,387	7.5%
December 31, 2017	\$ 12,565	\$ 12,565	\$ -	\$ 167,533	7.5%
December 31, 2016	\$ 12,653	\$ 12,653	\$ -	\$ 168,706	7.5%
December 31, 2015	\$ 12,150	\$ 12,150	\$ -	\$ 162,974	7.5%

**CITY OF VERGAS
VERGAS, MINNESOTA**

Schedule 3

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability (Asset)	Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0033%	\$ 120,677	\$ 3,120	\$ 123,797	\$ 280,775	42.98%	89.08%
June 30, 2023	0.0033%	\$ 184,532	\$ 5,100	\$ 189,632	\$ 264,078	69.88%	83.10%
June 30, 2022	0.0033%	\$ 261,361	\$ 7,670	\$ 269,031	\$ 241,720	108.13%	76.67%
June 30, 2021	0.0031%	\$ 132,384	\$ 4,049	\$ 136,433	\$ 229,490	57.69%	87.00%
June 30, 2020	0.0029%	\$ 173,868	\$ 5,201	\$ 179,069	\$ 219,914	79.06%	79.06%
June 30, 2019	0.0026%	\$ 143,748	\$ 4,500	\$ 148,248	\$ 190,677	75.39%	80.23%
June 30, 2018	0.0027%	\$ 149,785	\$ 4,933	\$ 154,718	\$ 186,928	80.13%	79.53%
June 30, 2017	0.0024%	\$ 153,214	\$ 1,939	\$ 155,153	\$ 169,253	90.52%	75.90%
June 30, 2016	0.0026%	\$ 211,107	\$ 2,826	\$ 213,933	\$ 166,322	126.93%	68.90%
June 30, 2015	0.0029%	\$ 145,111	\$ -	\$ 145,111	\$ 179,398	80.89%	78.20%

**CITY OF VERGAS
VERGAS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Otter Tail County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2024:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
City clerk/treasurer	\$ 35,063	\$ 32,248	\$ (2,815)
Elections	2,974	1,950	(1,024)
Professional services	2,967	2,125	(842)
Insurance	6,559	3,200	(3,359)
Other general government	1,596	1,000	(596)
Public safety			
Fire	54,316	30,605	(23,711)
Fire relief association	32,556	-	(32,556)
Highways and streets			
Snow and ice removal	447	-	(447)
Culture and recreation			
Community center	44,800	40,841	(3,959)
Trails	3,020	-	(3,020)
Other culture and recreation	2,500	-	(2,500)
Economic Development			
Small Cities Development	10,778	-	(10,778)
Debt service			
Interest	10,961	-	(10,961)
Capital outlay			
General government	91,508	6,500	(85,008)

**CITY OF VERGAS
VERGAS, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the City Council. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

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

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors 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.

**CITY OF VERGAS
VERGAS, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2022 Changes (Continued)

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 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 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 were changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020, through December 31, 2023, and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF VERGAS
VERGAS, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The morality 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

Changes in Actuarial Assumptions

- The morality 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.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

**CITY OF VERGAS
VERGAS, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

OTHER SCHEDULES

**CITY OF VERGAS
VERGAS, MINNESOTA**

Schedule 4

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024**

Shared Revenue

State

Fire state aid	\$ 32,556
Local government aid	43,751
Market value credit	750
Small Cities Assistance Payment	<u>12,402</u>

Total Shared Revenue	\$ 89,459
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Grants

Local

Otter Tail County	\$ 2,599
West Central Initiative	<u>24,292</u>

Total Local	\$ 26,891
--------------------	------------------

State

Minnesota Department of Health	\$ 10,000
Natural Resources	39,295
Public Safety	<u>8,670</u>

Total State	\$ 57,965
--------------------	------------------

Total Grants	\$ 84,856
---------------------	------------------

Total Intergovernmental Revenue	\$ 174,315
--	-------------------

MANAGEMENT AND COMPLIANCE SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@hpmaudit.com

**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**

City Council
City of Vergas

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, and each major fund of the City of Vergas as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Vergas' basic financial statements, and have issued our report thereon dated June 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Vergas' internal control over financial reporting 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 expressing an opinion on the effectiveness of the City of Vergas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vergas' internal control over financial reporting.

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

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

material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vergas' 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 determination of 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*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 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 we did not test for compliance with the provisions for tax increment financing because the City of Vergas has no tax increment financing 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*. 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.

City of Vergas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Vergas' response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City of Vergas' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Hoffman, Philipp, & Martell, PLLC
June 20, 2025

**CITY OF VERGAS
VERGAS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2024-001

Prior Year Finding Number(s): 2023-001

Repeat Finding Since: 2006

Finding Title: Segregation of Duties and Internal Controls

Criteria: The financial statements are the responsibility of the City's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the City's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls to ensure effectiveness and efficiency of operations.

Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The City does not have a process for monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the City of Vergas, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

Context: The small size and staffing of the City of Vergas limits the segregation of duties and internal control that management can design and implement. Although the City of has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

Effect: Without documented internal controls and a process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

Cause: The City has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

Recommendation: Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the City of Vergas formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

City's Response: *The small size of the City limits the number of personnel available to perform separate duties, however, the City Council is aware of this situation and provides oversight and review. The City does have some written policies and continues to work on improving internal controls over financial reporting and compliance and the documentation of those controls.*

**CITY OF VERGAS
VERGAS, MINNESOTA**

Finding Number: 2024-002

Prior Year Finding Number: 2023-002

Repeat Finding Since: 2015

Finding Title: Accounting and Financial Reporting for Pensions

Criteria: The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides accounting and reporting standards for pensions offered to retirees. GASB 68 was first applicable to the City of Vergas for the year ended December 31, 2015.

Condition: GASB Statement 68 has not yet been fully implemented by the City of Vergas as required. The City has reported net pension liability for City employees, but this does not include members of the Fire Relief Association. The City Fire Relief Association has not undergone an actuarial study to determine its net pension liability (asset).

Context: The City should encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability (asset) for its inclusion in the City's financial statements.

Effect: Because the City of Vergas has not fully complied with the requirements of GASB Statement 68, a qualified opinion is issued on the governmental activities of the City of Vergas.

Cause: The Fire Relief Association has not hired an actuary to determine its net pension liability (asset) to meet the requirements for financial reporting under GASB Statement 68.

Recommendation: We recommend the City Council encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability (asset) for inclusion in the City's financial statements.

City's Response: *The City will encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability (asset) to stay in compliance with GASB Statement 68 for pensions offered to its retirees.*

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2024-001

Finding Title: Segregation of Duties and Internal Controls

Name of Contact Person Responsible for Corrective Action: City Council and management.

Corrective Action Planned: The City of Vergas is aware of the segregation of duties and the internal control over financial reporting issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

Anticipated Completion Date: December 31, 2025. *The small size of the City limits the number of personnel available to perform separate duties, however, the City Council is aware of this situation and provides oversight and review. The City does have some written policies and continues to work on improving internal controls over financial reporting and compliance and the documentation of those controls.*

Finding Number: 2024-002

Finding Title: Accounting and Financial Reporting for Pensions

Name of Contact Person Responsible for Corrective Action: City Council and management

Corrective Action Planned: The City will encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability (asset) to stay in compliance with GASB Statement 68 for pensions offered to its retirees.

Anticipated Completion Date: December 31, 2025.

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2023-001

Repeat Finding Since: 2006

Finding Title: Segregation of Duties and Internal Controls

Summary of Condition: Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action: Management is continually aware that segregation of duties is not adequate from an internal control point of view. The City Council continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

Status: Not fully corrected.

Finding Number: 2023-002

Repeat Finding Since: 2015

Finding Title: Accounting and Financial Reporting for Pensions

Summary of Condition: The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides accounting and reporting standards for pensions offered to retirees. GASB 68 was first applicable to the City of Vergas for the year ended December 31, 2015. GASB Statement 68 has not yet been fully implemented by the City of Vergas as required. The City Fire Relief Association has not undergone an actuarial study to determine its net pension liability (asset).

Summary of Corrective Action: The City has encouraged the Fire Relief Association to obtain an actuarial study to determine its net pension liability (assets) for its inclusion in the City's financial statements.

Status: Not fully corrected.

**City Council
Special Council Meeting
Government Services Center & Zoom Id 267-094-2170 password 56587
9:00 AM on Wednesday, July 2, 2025**

6. Sewer Lift Station

Files Attached

- 7.2.25 PVC Piping Vergas MN QTE009242.pdf
- 7.2.25 SS Piping Vergas MN QTE009241.pdf
- 7.2.25 City of Vergas MN - SE Lift Repairs.pdf



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009242
06/16/2025

Bill To

Vergas MN, City Of
PO Box 32
Vergas MN 56587
United States
Phone:

Ship To

Vergas MN, City Of
111 Main St
Vergas MN 56587
United States

Details

Quote for sale and installation of PVC piping remodel at your LS#4. Replacing POS#2 Flygt with matching POS#1 Sulzer Piranha S20/2W. Vac truck required by city while work is being done. Please note freight is not included.

Prepared By

Ben Edlebeck

Phone

877-645-8004

Email

info@minnesotapumpworks.com

Sales Rep

Justin MacPherson

Expires

07/17/2025

Terms

Net 30

Item	Comment	QTY	Rate	Amount
11125 ABS PIRANHA - S20/2WFM GRINDER PUMP 2HP/230/1 1-1/4" D/C 32' FM EX-PROOF, 05115681	Matching S20/2W Pump	1	\$4,395.00	\$4,395.00
11489 ABS SINGLE PHASE START KIT S20/2W, 230V 08776014	Single Phase Start Kit	1	\$203.00	\$203.00
11430 ABS SEAL LEAK/OVER TEMP RELAY, CA462, DIN RAIL MOUNTED,110/230V-AC	Monitoring Relay	1	\$634.00	\$634.00
10691 ABS GUIDE RAIL ASSY, STD DUTY, 1-1/4"	Base Elbow Assembly	2	\$523.00	\$1,046.00
23427 QUOTE ITEM	Custom Base Plate For Elbows	1	\$600.00	\$600.00
17455 HALLIDAY 1.25" 304SS SINGLE UGRB - ABS PART NO. 41686122, 3.375 C/L	Upper Bracket	2	\$145.00	\$290.00
19755 PIPE 1-1/4" 304SS SCH40 PIPE PE	Guide Rail Piping	40	\$15.00	\$600.00
19883 PIPE PVC 2" SCHEDULE 80	Discharge Piping	20	\$4.75	\$95.00

Thank you for your business.

Toll Free: 877-645-8004 | Email: info@minnesotapumpworks.com | Website: <http://www.minnesotapumpworks.com>



QTE009242



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009242
06/16/2025

Item	Comment	QTY	Rate	Amount
19338 NIPPLE SCH40 304SS 1-1/4X3	Discharge Fittings As Needed	2	\$12.00	\$24.00
20843 SS THRD HEX BUSH 2X1-1/4 2X114SSB		2	\$30.00	\$60.00
20186 PVC FEMALE ADAPTER 2" SCH80		2	\$24.50	\$49.00
20286 PVC UNION 2" SLXSL SCH80		4	\$31.00	\$124.00
20208 PVC MALE ADAPTER 2" SCH80		5	\$18.50	\$92.50
24037 CHECK VALVE 2" INLINE SWING, 316SS, FNPT		2	\$350.00	\$700.00
19348 NIPPLE SCH40 304SS 2X3		2	\$18.00	\$36.00
21604 VALVE 2" SS BALL VALVE 2-PC THRD		2	\$441.00	\$882.00
20131 PVC ELBOW 2" 90 DEGREE SCH80 SLXSL		2	\$8.00	\$16.00
20260 PVC TEE 2" SLXSLXSL SCH80		1	\$24.00	\$24.00
20227 PVC PURPLE PRIMER, P68 - QT		1	\$37.00	\$37.00
20046 PVC CEMENT 781 (704) PVC MED CLE		1	\$29.00	\$29.00
13557 COUPLING 2" 150# 316 SS THRD FULL CPLG		1	\$35.00	\$35.00
INSTALL SERVICES	2 Technician Mobilization / Installation	1		\$3,937.59

Thank you for your business.
Toll Free: 877-645-8004 | Email: info@minnesotapumpworks.com | Website: <http://www.minnesotapumpworks.com>



QTE009242



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009242
06/16/2025

Subtotal \$13,909.09

Total \$13,909.09

Pricing is valid for 10 days and does not include freight charges or applicable taxes.

Items quoted for repair and leftover 30 days, without a decision to repair, will be discarded.

Signature: _____ Date: _____

NOTE: All orders are subject to Tariff Surcharges. Tariff Surcharges are based on Tariff values charged by individual Vendors and are not set amount. These Tariff Surcharges are subject to change at any time.

Online credit card/ECheck payments are handled by a third party processor and 3% fees will apply when making payment.



**ACCEPTANCE**

The following Terms and Conditions are an integral part of the offer to sell the equipment and/or services offered in this proposal. When the BUYER signifies acceptance of this quotation by submission of a Purchase Order or signed SELLER Quotation, it shall become a binding contract when accepted and signed by an authorized signer of the SELLER. Any changes or amendments to this proposal made by the BUYER must have SELLER's approval in writing to become a part of this contract. These Terms and Conditions and the accompanying Purchase Order or signed SELLER Quotation shall comprise the entire agreement between the parties and no course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any terms used in this contract. Unless stated otherwise, the terms and conditions of the manufacturers listed herein will apply to this quotation. Any attachments or listed documents are considered a part of this quotation and are made part of the agreement. **Quote is firm for thirty (30) days unless otherwise stated on the face of the attached quotation.**

APPROVAL DRAWINGS

All items listed are based on SELLER'S interpretation of the requirements in accordance with the plans and specifications. Any preliminary drawings or literature attached to our quotation are for illustration purposes only to show approximate arrangements. Specific drawings and submittal data will be furnished for approval as required after receipt and acceptance of the BUYER'S order. Any submittal or manuals when provided by SELLER will be in the form of a PDF electronic file only. Any form of media beyond the electronic file would be the responsibility of BUYER. Fabrication of products or equipment ordered will not begin until approval and direction to proceed is received in writing. No warranty is made regarding quantities, materials of construction or type of materials quoted. Operation, installation, and maintenance of materials quoted are the responsibility of the OWNER or CONTRACTOR.

DELIVERY

Any shipment or delivery date received represents our best estimate, but no liability, direct or indirect, is assumed by SELLER for failure to ship or deliver on such dates. Unless otherwise directed, SELLER shall have the right to make early or partial shipments and invoices covering the same to BUYER shall be due and payable in accordance with payment terms hereof. FOB shall be origin unless stated otherwise on the front of these Terms and Conditions. Delivery schedule(s) will be contingent on supply-chain availability and variability for material components, therefore, lead-times are subject to change without notice. Published weights are careful estimates but are not guaranteed. SELLER will endeavor, insofar, as it is possible, to comply with shipping instructions specified by the Purchaser. However, SELLER reserves the right to ship merchandise by such means of transportation as it may select. The manufacturer will ship the equipment via best way. Demurrage shall be billed to the account of the Purchaser. **DAMAGE CLAIMS:** Care is taken in packaging all shipments. After BUYER has been given the receipt by the transportation company, all claims for breakage or shortages, whether concealed or obvious, must be made in writing by the BUYER to the carrier and SELLER within seven (7) days after receipt of shipment. When damage or shortages are obvious, written comments on the bill of lading are required before the driver is released. **RETURNED PRODUCTS:** In no instance is equipment to be returned without first obtaining SELLER'S written approval and returned materials authorization. If shipment is postponed at the request of the purchaser after manufacturing has been commenced, payment will be due on notice from us that the equipment is ready for shipment. Pro rata payments shall be made for partial shipments.

STORAGE

Any item of the product on which shipment is delayed by BUYER may be placed in storage by SELLER at BUYER'S expense and risk. If a delay in shipment is requested by BUYER after an order has been entered and accepted:

- a. No charge will be made if the request for delay is made more than six (6) weeks before acknowledged shipping date and the requested delay is for a period not in excess of thirty (30) days.
- b. A charge will be made if the requested delay exceeds a period of thirty (30) days or if the request is made within six (6) weeks of the acknowledged shipping date. SELLER will advise BUYER of the charge within ten (10) days of receiving BUYER'S request for delay.
- c. If the product is within six (6) weeks of the acknowledged shipping date, then SELLER has the option of completing, invoicing and storing the product and charging one and one-half percent (1.5%) per month, or the maximum percentage permitted by law, whichever is lesser, of the established price for such product, plus storage cost.

PAYMENT

Payment terms, upon credit approval, are of net thirty (30) days from the date of each invoice for material shipped (or when ready for shipment if shipment is deferred by BUYER) **unless stated otherwise on the face of the attached quotation.** Flow down provisions are not accepted and shall not be enforceable against SELLER. Retention is not allowed. In the event any payment becomes past due, a charge of one-half percent (1.5%) will be assessed monthly. These terms are completely independent from, and not contingent upon, when BUYER receives payment from the OWNER. A processing fee of up to four percent (4%) will be added for credit card payments. All merchandise sold is subject to lien laws. Partial or final payment shall constitute acceptance of delivered materials, products, or equipment.

FORCE MAJEURE

Neither Party will be liable for any failure or delay in performing an obligation under these Terms and Conditions that is due to any of the following causes, to the extent beyond its reasonable control: acts of God, accident, riots, war, terrorist act, epidemic, pandemic, quarantine, civil commotion, breakdown of communication facilities, breakdown of web host, breakdown of internet service provider, natural catastrophes, governmental acts or omissions, changes in laws or regulations, national strikes, fire, explosion, generalized lack of availability of raw materials or energy. For the avoidance of doubt, Force Majeure shall not include (a) financial distress nor the inability of either party to make a profit or avoid a financial loss, (b) changes in market prices or conditions, or (c) a party's financial inability to perform its obligations hereunder.

TAXES AND BONDS

Taxes and bonds are **NOT** included in our pricing. Any applicable taxes or bonds will be added to the price and shown separately on each invoice. All prices exclude sales, use, duties, excise, and other taxes in respect to manufacture, sale, or delivery, all of which are to be paid by the buyer unless a proper exemption certificate is furnished. BUYER agrees to reimburse our company for taxes SELLER must pay on BUYER'S behalf.

PRICE ESCALATION and/or MATERIAL DEPOSITS

If between the proposal date and actual procurement and through no fault of the SELLER, the relevant cost of labor, material, freight, brokerage fees, tariffs, and other SELLER costs combined relating to the contract increase, then the contract price shall be subject to escalation and increased accordingly. If required by the BUYER, increase shall be verified by documentation and the amount of contract price escalation shall be calculated as either the actual increased cost to the Seller or, if agreed by the Parties, the equivalent increase of a relevant industry recognized third-party index. SELLER shall undertake good faith efforts to obtain savings in its procurement of materials to avoid escalation costs. BUYER shall cooperate with SELLER in such efforts to obtain such cost savings. SELLER shall contemporaneously track any escalation costs.

**CLAIMS AND BACKCHARGES**

BUYER agrees to examine all materials immediately upon delivery and report to SELLER in writing any defects or shortages noted no later than ten (10) days following the date of receipt. The parties agree that if no such claim is made within said time, it shall be considered acceptable and in good order with respect to any defect or shortage which would have been revealed by such an inspection. In no event will SELLER be responsible for any charge for modification, servicing, adjustment or for any other expense without written authorization from SELLER prior to the performance of any such work. IN NO EVENT SHALL SELLER BE LIABLE TO BUYER OR ANY THIRD PARTY FOR ANY LOSS OF USE, REVENUE OR PROFIT, OR FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, OR PUNITIVE DAMAGES, FOR ANY REASON, INCLUDING WITHOUT LIMITATION, DAMAGES ARISING OUT OF A DELAY IN OR FAILURE OF DELIVERY, DEFECTS IN MATERIAL AND WORKMANSHIP AND/OR FAILURE OF GOODS TO PERFORM TO APPLICABLE SPECIFICATIONS, DRAWINGS, BLUEPRINTS OR SAMPLES AS SET FORTH OR DESCRIBED HEREIN, IF ANY, OF A BREACH BY SELLER OF ANY OTHER TERM OR OBLIGATION OF SELLER UNDER THE CONTRACT. No penalty clauses of any description will be effective unless approved in writing over the signature of a principal of SELLER. Under no circumstances shall SELLER be liable for any consequential, special or incidental damages, including liquidated damages, arising from any breach by it in this transaction, AND ALL SUCH CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES, INCLUDING LIQUIDATED DAMAGES, ARE EXCLUDED FROM ANY REMEDIES AVAILABLE TO THE BUYER.

SECURITY INTEREST & TITLE

Until all amounts due SELLER have been paid in full, SELLER shall retain a security interest in the product and have all rights of a secured party under the Uniform Commercial Code and applicable law, including the right to repossess the product or equipment without legal process and the right to require the BUYER to assemble the equipment and make it available to SELLER at a place reasonably convenient to both parties.

WARRANTY

Equipment and parts not manufactured by the SELLER carry only the warranty of the manufacturer of said parts. SELLER does not make any express or implied warranty for equipment and/or parts it did not manufacture. Credits for defective material and workmanship in said equipment and/or parts are only in accordance with the underlying company policy of the manufacturer. SELLER makes no warranty whatsoever with respect to any equipment and/or parts as to their merchantability or fitness for a particular purpose. It is further agreed that the SELLER assumes no liability whatsoever for failure of equipment due to normal usage and wear.

INDEMNIFICATION

To the fullest extent permitted by the law in which the project is located, BUYER and SELLER shall indemnify and hold one another and their respective employees and agents harmless from and against all claims, damages, losses, liabilities, actions, causes of action, demands, fines, penalties, judgments, costs, and expenses, including but not limited to attorneys' fees, court costs, expert fees and costs, arising out of or resulting from BUYER's or SELLER's own negligent acts, omissions or misconduct, to the extent such negligence is covered by BUYER's and SELLER's respective insurance policies. In the event any third party asserts against SELLER a claim for patent infringement, royalties or licensing fees with respect to BUYER's use of the products, materials, or equipment provided hereunder, BUYER agrees to indemnify SELLER for all liability damages, costs and expenses in connection therewith.

CANCELLATION

Buyer may cancel this contract only in writing signed by BUYER's duly authorized agent and acknowledged in writing by SELLER's duly authorized agent. Should this order be cancelled, BUYER shall be obligated to pay for the level of work performed and products shipped. Work performed includes any engineering, calculations, preparation of submittals, drawings, and/or travel to job site in relation to this order. In addition to any other remedies provided under these Terms and Conditions, SELLER may terminate this contract with immediate effect by providing signed, written notice to BUYER, if BUYER: (i) fails to pay any amount when due under the contract and such failure continues for 30 days after BUYER's receipt of written notice of nonpayment; (ii) has not otherwise performed or complied with any of these Terms and Conditions; or (iii) becomes insolvent, files a petition for bankruptcy or commences or has commenced against it proceedings in bankruptcy, receivership, reorganization or assignment for the benefit of creditors.

FIELD WORK

Unless specifically stated on our quotation, installation, start-up service, field testing, supervision, operation, and training are not included in our pricing of product. In the event that SELLER or any of its employees or agents do perform work or services on-site at the project's location, BUYER agrees to hold SELLER and its employees or agents harmless for any injuries or damage to property caused by their acts or omission, except to the extent said injuries or property damage arise from gross negligence or intentional misconduct.

MODIFICATIONS

This contract can be modified only in writing which specifically states that it amends these Terms and Conditions and is signed by both parties and their duly authorized agents. It is further agreed that this contract shall not be modified in any respect except in writing signed by the party and their duly authorized agent against whom the modification is sought to be enforced.

AUTHORITY OF SELLER'S AGENTS

No agent, employee or representative of the SELLER has any authority to bind the SELLER to any affirmation, representation or warranty concerning the goods sold under this Contract, and unless an affirmation, representation or warranty made by an agent, employee, or representative is specifically included within this written contract, it shall not be enforceable by the BUYER.

NO THIRD-PARTY BENEFICIARIES

This contract is for the sole benefit of BUYER and SELLER and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of these Terms and Conditions.

GOVERNING LAW

All matters arising of or relating to the contract or the Terms and Conditions shall be governed by and construed in accordance with the laws of the state in which the project is located.

DISPUTE RESOLUTION

In the event of any dispute between BUYER and SELLER arising out of the terms of the contract and these Terms and Conditions, such dispute shall be decided by arbitration administered by the American Arbitration Association in accordance with the then-prevailing Commercial Arbitration Rules and Mediation Procedures of the American Arbitration Association. BUYER and SELLER mutually agree that any dispute involving claims valued at or above \$1,000,000.00 shall be heard by a panel of three (3) arbitrators. The venue for all arbitration proceedings shall be the State of California. The foregoing agreement to arbitrate shall be specifically enforceable in any court of competent jurisdiction. The award rendered by the arbitrators shall be final and judgment may be entered upon it in accordance with applicable law in any court of competent jurisdiction.

SEVERABILITY

The partial or complete invalidity of any one or more provisions of these Terms and Conditions shall not affect the validity or continuing force and effect of any other provision. If any provision is invalid, in whole or in part, the provision shall be considered reformed to reflect the intent thereof to the greatest extent possible consistent with applicable law.

ASSIGNMENT – DELEGATION

No right or interest in this Contract shall be assigned by the BUYER without the written permission of the SELLER, and no delegation of any obligation owed, or of the performance of any obligation by the BUYER shall be made without the written permission of the SELLER. Any attempted assignment or delegation shall be wholly void and totally ineffective for all purposes unless made in conformity with this paragraph.

Please Remit to:
PO Box 735936
Chicago IL, 60673-5936
Online payment accepted at <http://www.iowapumpworks.com>
Pay Now 3% charge for credit card and \$2.25 charge for e-check
PAST DUE INVOICES ARE SUBJECT TO 1.5% PER MONTH FINANCE CHARGE



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009241
06/16/2025

Bill To

Vergas MN, City Of
PO Box 32
Vergas MN 56587
United States
Phone:

Ship To

Vergas MN, City Of
111 Main St
Vergas MN 56587
United States

Details

Quote for sale and installation of SS piping remodel at your LS#4. Replacing POS#2 Flygt with matching POS#1 Sulzer Piranha S20/2W. Vac truck required by city while work is being done. Please note freight is not included.

Prepared By	Phone	Email
Ben Edlebeck	877-645-8004	info@minnesotapumpworks.com

Sales Rep	Expires	Terms
Justin MacPherson	07/17/2025	Net 30

Item	Comment	QTY	Rate	Amount
11125 ABS PIRANHA - S20/2WFM GRINDER PUMP 2HP/230/1 1-1/4" D/C 32' FM EX-PROOF, 05115681	Matching S20/2W Pump	1	\$4,395.00	\$4,395.00
11489 ABS SINGLE PHASE START KIT S20/2W, 230V 08776014	Single Phase Start Kit	1	\$203.00	\$203.00
11430 ABS SEAL LEAK/OVER TEMP RELAY, CA462, DIN RAIL MOUNTED,110/230V-AC	Monitoring Relay	1	\$634.00	\$634.00
10691 ABS GUIDE RAIL ASSY, STD DUTY, 1-1/4"	Base Elbow Assembly	2	\$523.00	\$1,046.00
23427 QUOTE ITEM	Custom Base Plate For Elbows	1	\$600.00	\$600.00
17455 HALLIDAY 1.25" 304SS SINGLE UGRB - ABS PART NO. 41686122, 3.375 C/L	Upper Bracket	2	\$145.00	\$290.00
19755 PIPE 1-1/4" 304SS SCH40 PIPE PE	Guide Rail Piping	40	\$15.00	\$600.00
19764 PIPE 2" 304SS SCH40 PIPE PE	Discharge Piping	20	\$24.00	\$480.00

Thank you for your business.

Toll Free: 877-645-8004 | Email: info@minnesotapumpworks.com | Website: <http://www.minnesotapumpworks.com>



QTE009241



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009241
06/16/2025

Item	Comment	QTY	Rate	Amount
19338 NIPPLE SCH40 304SS 1-1/4X3	Discharge Fittings As Needed	2	\$12.00	\$24.00
20843 SS THRD HEX BUSH 2X1-1/4 2X114SSB		2	\$30.00	\$60.00
13557 COUPLING 2" 150# 316 SS THRD FULL CPLG		2	\$35.00	\$70.00
21287 UNION, SS 2" 304 THRD 150#		4	\$82.00	\$328.00
24037 CHECK VALVE 2" INLINE SWING, 316SS, FNPT		2	\$350.00	\$700.00
19348 NIPPLE SCH40 304SS 2X3		2	\$18.00	\$36.00
21604 VALVE 2" SS BALL VALVE 2-PC THRD		2	\$441.00	\$882.00
19350 NIPPLE SCH40 304SS 2X6		2	\$30.00	\$60.00
14785 ELBOW 2" 90 DEGREE 150# SS304..2SSL		2	\$38.50	\$77.00
21036 TEE 2" THREADED 150# SS304		1	\$57.00	\$57.00
INSTALL SERVICES	2 Technician Mobilization / Installation	1		\$4,187.59

Subtotal \$14,729.59

Total \$14,729.59

Pricing is valid for 10 days and does not include freight charges or applicable taxes.

Items quoted for repair and leftover 30 days, without a decision to repair, will be discarded.

Signature: _____ Date: _____

Thank you for your business.
Toll Free: 877-645-8004 | Email: info@minnesotapumpworks.com | Website: <http://www.minnesotapumpworks.com>



QTE009241



MINNESOTA PUMP WORKS

-a UFT Company-

Minnesota Pump Works
1 Cannon St W
Dundas, MN 55019

Quote
#QTE009241
06/16/2025

NOTE: All orders are subject to Tariff Surcharges. Tariff Surcharges are based on Tariff values charged by individual Vendors and are not set amount. These Tariff Surcharges are subject to change at any time.

Online credit card/ECheck payments are handled by a third party processor and 3% fees will apply when making payment.



**ACCEPTANCE**

The following Terms and Conditions are an integral part of the offer to sell the equipment and/or services offered in this proposal. When the BUYER signifies acceptance of this quotation by submission of a Purchase Order or signed SELLER Quotation, it shall become a binding contract when accepted and signed by an authorized signer of the SELLER. Any changes or amendments to this proposal made by the BUYER must have SELLER's approval in writing to become a part of this contract. These Terms and Conditions and the accompanying Purchase Order or signed SELLER Quotation shall comprise the entire agreement between the parties and no course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any terms used in this contract. Unless stated otherwise, the terms and conditions of the manufacturers listed herein will apply to this quotation. Any attachments or listed documents are considered a part of this quotation and are made part of the agreement. **Quote is firm for thirty (30) days unless otherwise stated on the face of the attached quotation.**

APPROVAL DRAWINGS

All items listed are based on SELLER'S interpretation of the requirements in accordance with the plans and specifications. Any preliminary drawings or literature attached to our quotation are for illustration purposes only to show approximate arrangements. Specific drawings and submittal data will be furnished for approval as required after receipt and acceptance of the BUYER'S order. Any submittal or manuals when provided by SELLER will be in the form of a PDF electronic file only. Any form of media beyond the electronic file would be the responsibility of BUYER. Fabrication of products or equipment ordered will not begin until approval and direction to proceed is received in writing. No warranty is made regarding quantities, materials of construction or type of materials quoted. Operation, installation, and maintenance of materials quoted are the responsibility of the OWNER or CONTRACTOR.

DELIVERY

Any shipment or delivery date received represents our best estimate, but no liability, direct or indirect, is assumed by SELLER for failure to ship or deliver on such dates. Unless otherwise directed, SELLER shall have the right to make early or partial shipments and invoices covering the same to BUYER shall be due and payable in accordance with payment terms hereof. FOB shall be origin unless stated otherwise on the front of these Terms and Conditions. Delivery schedule(s) will be contingent on supply-chain availability and variability for material components, therefore, lead-times are subject to change without notice. Published weights are careful estimates but are not guaranteed. SELLER will endeavor, insofar, as it is possible, to comply with shipping instructions specified by the Purchaser. However, SELLER reserves the right to ship merchandise by such means of transportation as it may select. The manufacturer will ship the equipment via best way. Demurrage shall be billed to the account of the Purchaser. **DAMAGE CLAIMS:** Care is taken in packaging all shipments. After BUYER has been given the receipt by the transportation company, all claims for breakage or shortages, whether concealed or obvious, must be made in writing by the BUYER to the carrier and SELLER within seven (7) days after receipt of shipment. When damage or shortages are obvious, written comments on the bill of lading are required before the driver is released. **RETURNED PRODUCTS:** In no instance is equipment to be returned without first obtaining SELLER'S written approval and returned materials authorization. If shipment is postponed at the request of the purchaser after manufacturing has been commenced, payment will be due on notice from us that the equipment is ready for shipment. Pro rata payments shall be made for partial shipments.

STORAGE

Any item of the product on which shipment is delayed by BUYER may be placed in storage by SELLER at BUYER'S expense and risk. If a delay in shipment is requested by BUYER after an order has been entered and accepted:

- a. No charge will be made if the request for delay is made more than six (6) weeks before acknowledged shipping date and the requested delay is for a period not in excess of thirty (30) days.
- b. A charge will be made if the requested delay exceeds a period of thirty (30) days or if the request is made within six (6) weeks of the acknowledged shipping date. SELLER will advise BUYER of the charge within ten (10) days of receiving BUYER'S request for delay.
- c. If the product is within six (6) weeks of the acknowledged shipping date, then SELLER has the option of completing, invoicing and storing the product and charging one and one-half percent (1.5%) per month, or the maximum percentage permitted by law, whichever is lesser, of the established price for such product, plus storage cost.

PAYMENT

Payment terms, upon credit approval, are of net thirty (30) days from the date of each invoice for material shipped (or when ready for shipment if shipment is deferred by BUYER) **unless stated otherwise on the face of the attached quotation.** Flow down provisions are not accepted and shall not be enforceable against SELLER. Retention is not allowed. In the event any payment becomes past due, a charge of one-half percent (1.5%) will be assessed monthly. These terms are completely independent from, and not contingent upon, when BUYER receives payment from the OWNER. A processing fee of up to four percent (4%) will be added for credit card payments. All merchandise sold is subject to lien laws. Partial or final payment shall constitute acceptance of delivered materials, products, or equipment.

FORCE MAJEURE

Neither Party will be liable for any failure or delay in performing an obligation under these Terms and Conditions that is due to any of the following causes, to the extent beyond its reasonable control: acts of God, accident, riots, war, terrorist act, epidemic, pandemic, quarantine, civil commotion, breakdown of communication facilities, breakdown of web host, breakdown of internet service provider, natural catastrophes, governmental acts or omissions, changes in laws or regulations, national strikes, fire, explosion, generalized lack of availability of raw materials or energy. For the avoidance of doubt, Force Majeure shall not include (a) financial distress nor the inability of either party to make a profit or avoid a financial loss, (b) changes in market prices or conditions, or (c) a party's financial inability to perform its obligations hereunder.

TAXES AND BONDS

Taxes and bonds are **NOT** included in our pricing. Any applicable taxes or bonds will be added to the price and shown separately on each invoice. All prices exclude sales, use, duties, excise, and other taxes in respect to manufacture, sale, or delivery, all of which are to be paid by the buyer unless a proper exemption certificate is furnished. BUYER agrees to reimburse our company for taxes SELLER must pay on BUYER'S behalf.

PRICE ESCALATION and/or MATERIAL DEPOSITS

If between the proposal date and actual procurement and through no fault of the SELLER, the relevant cost of labor, material, freight, brokerage fees, tariffs, and other SELLER costs combined relating to the contract increase, then the contract price shall be subject to escalation and increased accordingly. If required by the BUYER, increase shall be verified by documentation and the amount of contract price escalation shall be calculated as either the actual increased cost to the Seller or, if agreed by the Parties, the equivalent increase of a relevant industry recognized third-party index. SELLER shall undertake good faith efforts to obtain savings in its procurement of materials to avoid escalation costs. BUYER shall cooperate with SELLER in such efforts to obtain such cost savings. SELLER shall contemporaneously track any escalation costs.



CLAIMS AND BACKCHARGES

BUYER agrees to examine all materials immediately upon delivery and report to SELLER in writing any defects or shortages noted no later than ten (10) days following the date of receipt. The parties agree that if no such claim is made within said time, it shall be considered acceptable and in good order with respect to any defect or shortage which would have been revealed by such an inspection. In no event will SELLER be responsible for any charge for modification, servicing, adjustment or for any other expense without written authorization from SELLER prior to the performance of any such work. IN NO EVENT SHALL SELLER BE LIABLE TO BUYER OR ANY THIRD PARTY FOR ANY LOSS OF USE, REVENUE OR PROFIT, OR FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, OR PUNITIVE DAMAGES, FOR ANY REASON, INCLUDING WITHOUT LIMITATION, DAMAGES ARISING OUT OF A DELAY IN OR FAILURE OF DELIVERY, DEFECTS IN MATERIAL AND WORKMANSHIP AND/OR FAILURE OF GOODS TO PERFORM TO APPLICABLE SPECIFICATIONS, DRAWINGS, BLUEPRINTS OR SAMPLES AS SET FORTH OR DESCRIBED HEREIN, IF ANY, OF A BREACH BY SELLER OF ANY OTHER TERM OR OBLIGATION OF SELLER UNDER THE CONTRACT. No penalty clauses of any description will be effective unless approved in writing over the signature of a principal of SELLER. Under no circumstances shall SELLER be liable for any consequential, special or incidental damages, including liquidated damages, arising from any breach by it in this transaction, AND ALL SUCH CONSEQUENTIAL, SPECIAL AND INCIDENTAL DAMAGES, INCLUDING LIQUIDATED DAMAGES, ARE EXCLUDED FROM ANY REMEDIES AVAILABLE TO THE BUYER.

SECURITY INTEREST & TITLE

Until all amounts due SELLER have been paid in full, SELLER shall retain a security interest in the product and have all rights of a secured party under the Uniform Commercial Code and applicable law, including the right to repossess the product or equipment without legal process and the right to require the BUYER to assemble the equipment and make it available to SELLER at a place reasonably convenient to both parties.

WARRANTY

Equipment and parts not manufactured by the SELLER carry only the warranty of the manufacturer of said parts. SELLER does not make any express or implied warranty for equipment and/or parts it did not manufacture. Credits for defective material and workmanship in said equipment and/or parts are only in accordance with the underlying company policy of the manufacturer. SELLER makes no warranty whatsoever with respect to any equipment and/or parts as to their merchantability or fitness for a particular purpose. It is further agreed that the SELLER assumes no liability whatsoever for failure of equipment due to normal usage and wear.

INDEMNIFICATION

To the fullest extent permitted by the law in which the project is located, BUYER and SELLER shall indemnify and hold one another and their respective employees and agents harmless from and against all claims, damages, losses, liabilities, actions, causes of action, demands, fines, penalties, judgments, costs, and expenses, including but not limited to attorneys' fees, court costs, expert fees and costs, arising out of or resulting from BUYER's or SELLER's own negligent acts, omissions or misconduct, to the extent such negligence is covered by BUYER's and SELLER's respective insurance policies. In the event any third party asserts against SELLER a claim for patent infringement, royalties or licensing fees with respect to BUYER's use of the products, materials, or equipment provided hereunder, BUYER agrees to indemnify SELLER for all liability damages, costs and expenses in connection therewith.

CANCELLATION

Buyer may cancel this contract only in writing signed by BUYER's duly authorized agent and acknowledged in writing by SELLER's duly authorized agent. Should this order be cancelled, BUYER shall be obligated to pay for the level of work performed and products shipped. Work performed includes any engineering, calculations, preparation of submittals, drawings, and/or travel to job site in relation to this order. In addition to any other remedies provided under these Terms and Conditions, SELLER may terminate this contract with immediate effect by providing signed, written notice to BUYER, if BUYER: (i) fails to pay any amount when due under the contract and such failure continues for 30 days after BUYER's receipt of written notice of nonpayment; (ii) has not otherwise performed or complied with any of these Terms and Conditions; or (iii) becomes insolvent, files a petition for bankruptcy or commences or has commenced against it proceedings in bankruptcy, receivership, reorganization or assignment for the benefit of creditors.

FIELD WORK

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This contract can be modified only in writing which specifically states that it amends these Terms and Conditions and is signed by both parties and their duly authorized agents. It is further agreed that this contract shall not be modified in any respect except in writing signed by the party and their duly authorized agent against whom the modification is sought to be enforced.

AUTHORITY OF SELLER'S AGENTS

No agent, employee or representative of the SELLER has any authority to bind the SELLER to any affirmation, representation or warranty concerning the goods sold under this Contract, and unless an affirmation, representation or warranty made by an agent, employee, or representative is specifically included within this written contract, it shall not be enforceable by the BUYER.

NO THIRD-PARTY BENEFICIARIES

This contract is for the sole benefit of BUYER and SELLER and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of these Terms and Conditions.

GOVERNING LAW

All matters arising of or relating to the contract or the Terms and Conditions shall be governed by and construed in accordance with the laws of the state in which the project is located.

DISPUTE RESOLUTION

In the event of any dispute between BUYER and SELLER arising out of the terms of the contract and these Terms and Conditions, such dispute shall be decided by arbitration administered by the American Arbitration Association in accordance with the then-prevailing Commercial Arbitration Rules and Mediation Procedures of the American Arbitration Association. BUYER and SELLER mutually agree that any dispute involving claims valued at or above \$1,000,000.00 shall be heard by a panel of three (3) arbitrators. The venue for all arbitration proceedings shall be the State of California. The foregoing agreement to arbitrate shall be specifically enforceable in any court of competent jurisdiction. The award rendered by the arbitrators shall be final and judgment may be entered upon it in accordance with applicable law in any court of competent jurisdiction.


SEVERABILITY

The partial or complete invalidity of any one or more provisions of these Terms and Conditions shall not affect the validity or continuing force and effect of any other provision. If any provision is invalid, in whole or in part, the provision shall be considered reformed to reflect the intent thereof to the greatest extent possible consistent with applicable law.

ASSIGNMENT – DELEGATION

No right or interest in this Contract shall be assigned by the BUYER without the written permission of the SELLER, and no delegation of any obligation owed, or of the performance of any obligation by the BUYER shall be made without the written permission of the SELLER. Any attempted assignment or delegation shall be wholly void and totally ineffective for all purposes unless made in conformity with this paragraph.

Please Remit to:
PO Box 735936
Chicago IL, 60673-5936
Online payment accepted at <http://www.iowapumpworks.com>
Pay Now 3% charge for credit card and \$2.25 charge for e-check
PAST DUE INVOICES ARE SUBJECT TO 1.5% PER MONTH FINANCE CHARGE

ND Sewage Pump & Lift Station Service Company, INC. 1734 Main Avenue East West Fargo, ND 58078 Office: (701) 282-6760		QUOTE		Date: 6/16/2025
Quoted To: City of Vergas, MN				**Quote is valid for 30 days**
Project: SE Lift Station Repairs				**Unless otherwise noted, this quote does not include freight and/or applicable Sales or Use Tax that may apply**
				Quoted By: John Westrum Customer Contact: Mike
QUANTITY	DESCRIPTION	PRICE	AMOUNT	
** NDSP requires Certificate of Resale or Certificate of Tax Exemption to be provided or Local Tax will be applied. ** ** NDSP reserves the right to adjust prices to reflect the impact of any new or increased tariffs that have affected our cost of Materials at the time Quote is approved and Materials are ordered. **				
	<u>Service Call:</u> - Repair 1 (one) Discharge Pipe - New Sch80 Pipe and Sch80 Fitting - New 2" Brass Check Valve - New 2" Brass Gate Valve - Pull 1 (one) Pump and bring back to NDSP for Inspection and Diagnosis <u>Includes:</u> - Sch80 Pipe, Sch80 Fittings, Brass Check Valve and Brass Gate Valve - MOB, Sub., Truck Supplies and Labor <u>Not Included:</u> - Any additional Lift Station Repairs or Service Work - Any Pump Repairs or Electrical Work - Any additional Parts or Materials			
	Total -		\$3,695.00	
** Equipment will not be ordered until Signed/Dated Quote is returned to NDSP ** ** Upon acceptance: NDSP reserves the right to require up to a 50% deposit prior to materials being ordered ** ** Terms of Acceptance: Net 30 Days from time of Invoice ** ** 6% Interest per month will be charged after 30 days on outstanding balances ** ** Pumps and Control Panels are non-refundable. Changes to Pump or Control Panel cannot be made once order is placed ** ** Custom Cut Chain/Cable and Special Order Parts are non-refundable ** ** NDSP is not responsible for Parts, Materials or Equipment left at NDSP longer than 30 days **				
Signature: _____		Date: _____		

**City Council
Special Council Meeting
Government Services Center & Zoom Id 267-094-2170 password 56587
9:00 AM on Wednesday, July 2, 2025**

7. Sewer Jetting and Televising Lines

Files Attached

- 7.2.25 Vergas Cleaning and Televising.pdf



Estimate

Date: 6-16-25

Project: City of Vergas sewer cleaning/televising

Description	Est. LF	Price per LF	TOTAL
Sanitary sewer cleaning pvc	n/a	\$1.50	
Sanitary sewer televising	n/a	1.00	
Lift station cleaning	5 lifts	\$1000.00	\$1000.00
Total Due			

NOTES: Per our conversation this morning we would start on whatever section you want. Combined its \$2.50 a foot clean/televis. Lift station cleaning is optional. We ask you supply a water fill fire hydrant and a dump site/lagoon. If you need any other additional information please let me know. Thanks

Lakes Area Jetting L.L.C

27655 102nd Ave S

Hawley, MN 56549

lakesareajetting@gmail.com Matt Pederson (701) 318-6094 Eric Aakre (218) 396-0351

[Type here]