

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactl@mtcocpa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcocpa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

WITH THE FIRM

Kirk W. Morgan, CPA

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 16, 2025

Honorable Mayor and Members of
The City Council and Management
Pipestone, Minnesota 56164

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pipestone, Pipestone, Minnesota, for the year ended December 31, 2024. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated December 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Pipestone are described in Note 1 to the financial statements. We noted no transactions entered into by the City of Pipestone during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimates of depreciation expense are based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation and determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 16, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Pipestone's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis (MD&A), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

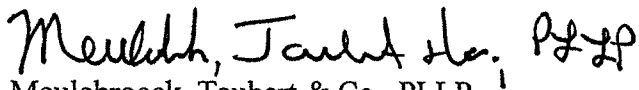
We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

City of Pipestone
Pipestone, Minnesota
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Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Pipestone, Pipestone, Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

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CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

Honorable Mayor and Members of
the City Council and Management
Pipestone, MN 56164

In planning and performing our audit of the financial statements of the City of Pipestone, Pipestone, Minnesota, for the year ended December 31, 2024, we considered its compliance with applicable laws and regulations for the purpose of expressing our opinion on the financial statements. In addition, during the process of planning and performing our audit of the financial statements other areas of comment came to our attention, which will be discussed below:

Fund Balances

The Office of the State Auditor recommends that at year-end local governments maintain an unreserved fund balance in their general fund and special revenue funds of approximately 35-50 percent of fund operating revenues or no less than five months of operating expenditures, which should provide the local government with adequate funds until the next property tax revenue collection cycle. Currently, the following special revenue funds are not within the state auditor's recommendations:

Fund	12/31/24 Fund Balance	5 months of 2024 expenditures	Shortfall
Farmers Market	1,775	5,018	3,243
Municipal Building	36,074	37,240	1,166
Cable Access	19,340	21,457	2,117

It is recommended that the city review the funds listed above to determine if an explanation exists for the shortfall or if further action is needed to comply with the State Auditor's recommendations relating to appropriate fund balance levels.

Capital Projects Funds

The 2022 Street Improvement Capital Project fund has a year-end deficit fund balance. This fund should be reviewed as whether all activity is completed, and if it has the Council should authorize a transfer to eliminate the deficit and close out the fund.

Profitability of Enterprise Funds

Generally, fees and service charges should cover the cost of an enterprise fund activity (see attached Statement of Position on Enterprise Fund Accounting). The information below shows the overall net income (loss) for all five enterprise funds.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Income (Loss)						
Water	3,262	(41,747)	(69,690)	108,356	184,030	565,156
Sewer	(87,443)	(234,189)	30,934	124,364	148,748	249,797
Garbage	205,575	118,350	66,990	109,773	65,713	32,024
Liquor	205,137	232,360	171,218	207,362	248,077	205,748
Prairie Winds				(20,245)	3,551	23,329

The water fund has had interfund loan due to negative cash since 2010 and the sewer fund has an interfund loan due to negative cash and an equipment purchase since 2014. The Due to Other Fund balance at December 31, 2024 for the water fund is \$486,920 and the sewer fund is \$898,102. Both balances have decreased significantly during 2024.

It is recommended that the City evaluate its enterprise operations and monitor them on an ongoing basis in order to eliminate the losses that have been occurring. A line-by-line evaluation of the fund revenues and expenses to uncover areas where revenues could be increased and/or expenses reduced should be undertaken in order to increase profitability.

Recommended Adjusting Journal Entries

Attached to this letter is a copy of the recommended year-end adjusting journal entries. Please review these entries. These are the adjustments required to be made in order for your accounting system to be in agreement with the year-end audit. If the adjustments meet with your approval, please instruct your City Treasurer to enter them for the year ended December 31, 2024.

We feel that these comments and observations deserve the attention of the City Council. We would be willing to discuss any of these comments with you at any time. We appreciate the opportunity to provide auditing services to the City of Pipestone.

Sincerely,



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

June 16, 2025

CITY OF PIPESTONE
Adjusting Journal Entries
January 1, 2024 - December 31, 2024

Date	Reference	Account	Description	Debit	Credit
Adjusting Journal Entries					
12/31/24	1		HPI GRANT ADJUSTMENT		35,809.63
		101-11159-0000	HISTORIC GRANT PORTION	35,809.63	
		101-22223-0000	DEFERRED REVENUE		475.00
		354-47000-6611	BOND INTEREST	475.00	
		354-47000-6621	FISCAL AGENT FEES		
12/31/24	2		DEBT ADJUSTMENTS	2,553.75	
		349-47102-6611	BOND INTEREST		2,553.75
		349-47101-6611	BOND INTEREST		
12/31/24	3		TO RECORD ADDITONAL A/P @ 12/31/24	244.25	
		244-47000-5531	CAPITAL OUTLAY-IMPROVEMENT	10,650.00	
		244-47000-5531	CAPITAL OUTLAY-IMPROVEMENT		10,894.25
		244-22021-0000	ACCOUNTS PAYABLE	14,400.90	
		341-47310-5531	TIF 13 REIMBURSEMENT - 50%		14,400.90
		341-22021-0000	ACCOUNTS PAYABLE	9,177.00	
		409-47110-3303	ENGINEER FEES	37,462.50	
		409-47110-3303	ENGINEER FEES		46,639.50
		409-22021-0000	ACCOUNTS PAYABLE	1,624.09	
		101-45200-2236	BOOK PURCHASES	192.40	
		101-45200-3313	MISC PROFESSIONAL SERVICES		1,816.49
		101-22021-0000	ACCOUNTS PAYABLE		
12/31/24	4		TO RECLASSIFY SALES TAX LIABILITY FROM A/P		11.85
		101-22022-0000	SALES TAX PAYABLE	11.85	
		101-22021-0000	ACCOUNTS PAYABLE		827.12
		225-22022-0000	SALES TAX PAYABLE	827.12	
		225-22021-0000	ACCOUNTS PAYABLE		1,749.74
		601-22022-0000	SALES TAX PAYABLE		44.15
		601-22022-0000	SALES TAX PAYABLE		314.70
		601-22022-0000	SALES TAX PAYABLE	2,108.59	
		601-22021-0000	ACCOUNTS PAYABLE		12,274.35
		615-22022-0000	SALES TAX PAYABLE		42.00
		615-22022-0000	SALES TAX PAYABLE	12,316.35	
		615-22021-0000	ACCOUNTS PAYABLE		4,390.00
		615-22022-0000	SALES TAX PAYABLE	4,390.00	
		615-22021-0000	ACCOUNTS PAYABLE		2,890.24
		610-22022-0000	SALES TAX PAYABLE		256.76
		610-22022-0000	SALES TAX PAYABLE		1,739.00
		610-22022-0000	SALES TAX PAYABLE		198.00
		610-22022-0000	SALES TAX PAYABLE	5,084.00	
		610-22021-0000	ACCOUNTS PAYABLE		31.09
		235-22022-0000	SALES TAX PAYABLE	31.09	
		235-22021-0000	ACCOUNTS PAYABLE		
12/31/24	5		TO RECLASSIFY		10,165.00
		225-45122-2221	REPAIR & MAINTENANCE		34,687.00
		225-45122-2221	REPAIR & MAINTENANCE	44,852.00	
		225-45123-5531	CAPITAL OUTLAY-IMPROVEMENT		52,650.00
		601-49440-2221	REPAIR & MAINTENANCE	52,650.00	
		601-12631-0000	IMPROVEMENTS		45,129.83
		244-47000-5531	CAPITAL OUTLAY-IMPROVEMENT	45,129.83	
		244-49300-9722	TRANSFER OUT		45,129.83
		601-39200-0000	TRANSFER IN	45,129.83	
		601-12631-0000	IMPROVEMENTS		

CITY OF PIPESTONE
Adjusting Journal Entries
January 1, 2024 - December 31, 2024

Date	Reference	Account	Description	Debit	Credit
12/31/24	6	998-00101-1400	TO ADD FIXED ASSETS	524,520.00	
		998-00101-1500	General - Improvments	115,000.00	
		998-00101-1999	General - Land		182,135.36
		998-00220-1200	General - A/D	38,606.82	
		998-00220-1300	Airport - Bldg Improvements	109,362.75	
		998-00220-1400	Airport - Equipment	297,763.89	
		998-00220-1600	Airport - Improvements		10,000.00
		998-00220-1999	Airport - Vehicles		218,179.92
		998-00225-1200	Airport - A/D	70,022.00	
		998-00225-1400	Rec - Bldg Improvements	120,153.72	
		998-00225-1999	Rec - Improvements		156,306.41
		998-00235-1100	Rec - A/D	2,412,104.23	
		998-00235-1999	Street - Infrastructure		1,317,130.54
		998-00240-1999	Street - A/D		5,319.90
		998-00270-1300	Mun Bldg - A/D	14,823.50	
		998-00270-1999	Cable Access - Equipment		3,705.85
		998-20000-0000	Cable Access - A/D		1,809,578.93
			Investment in Gen Fixed Assets		
12/31/24	7	601-21500-0000	ACCRUED INTEREST		15,468.38
		601-49440-6650	ACCRUED INTEREST PAYABLE	15,468.38	
		605-21500-0000	BOND INTEREST ACCRUED		78,172.16
		605-49490-6650	ACCRUED INTEREST PAYABLE	78,172.16	
			BOND INTEREST ACCRUED		
12/31/24	8	220-33416-0000	TO RECLASSIFY F-1B		26,851.52
		220-49815-5531	FEDERAL GRANT	26,851.52	
			CAPITAL OUTLAY-IMPROVEMENT		
12/31/24	9	220-11151-0000	TO RECORD ADD'L A/R F-4C	8,500.98	
		220-33417-0000	ACCOUNTS RECEIVABLE		8,500.98
			STATE GRANT		
12/31/24	10	601-33416-0000	TO RECLASSIFY STATE REV F-1A		25,168.48
		601-33417-0000	FEDERAL GRANT	25,168.48	
			STATE GRANT		
12/31/24	11	220-11151-0000	TO RECORD ADD'L A/R F-4D	10,825.00	
		220-33417-0000	ACCOUNTS RECEIVABLE		10,825.00
		220-11151-0000	STATE GRANT	117,238.45	
		220-33417-0000	ACCOUNTS RECEIVABLE		8,635.45
		220-33416-0000	STATE GRANT		108,603.00
		220-11151-0000	FEDERAL GRANT	80,625.00	
		220-33416-0000	ACCOUNTS RECEIVABLE		80,625.00
			FEDERAL GRANT		
12/31/24	12	409-11011-0000	TO RECORD 12/31/24 BALANCES	139,527.78	
		409-24201-0000	CLAIM ON CASH		1,287,975.45
		409-47110-3303	FUND BALANCE	468,314.65	
		409-47110-3439	ENGINEER FEES	72.66	
		409-47110-5531	MISC	704,928.36	
		409-22021-0000	CAPITAL OUTLAY-IMPROVEMENT		24,868.00
			ACCOUNTS PAYABLE		
12/31/24	13	251-11011-0000	TO RECORD CLIENT ENTRY #1328. ONLY		52,560.00
		251-49300-9722	THE 251 FUND		
			CLAIM ON CASH	52,560.00	
			TRANSFER OUT		

CITY OF PIPESTONE
Adjusting Journal Entries
January 1, 2024 - December 31, 2024

Date	Reference	Account	Description	Debit	Credit
12/31/24	14	220-49815-3440	TO RECORD CLIENT ENTRY #1329 VISA/MC CHARGES	4,099.73	4,099.73
		220-34105-0000	AVIATION FUEL SALES		
12/31/24	15	101-11011-0000	TO RECORD IFL TIF 13-GENERAL AD-1 CLAIM ON CASH	54,315.85	54,315.85
		341-11011-0000	CLAIM ON CASH	313,841.86	313,841.86
		101-11312-0000	INTERFUND LOAN		
		341-22071-0000	INTERFUND LOAN	12,701.83	12,701.83
		341-47309-6612	INTEREST IFL		
		101-36210-0000	INTERFUND LOAN INTEREST	354,938.38	354,938.38
		341-49300-9722	TRANSFER OUT		
		101-39200-0000	TRANSFER IN	517.50	517.50
		341-49300-9722	TRANSFER OUT		
		101-39200-0000	TRANSFER IN		
12/31/24	16	101-41950-3412	TO RECORD CLIENT ENTRY #1330 BUILDING RENT	40,500.00	40,500.00
		101-11011-0000	CLAIM ON CASH	40,500.00	40,500.00
		240-11011-0000	CLAIM ON CASH		
		240-34101-0000	MUNICIPAL BUILDING RENT	10,000.00	10,000.00
		101-49300-9722	TRANSFER OUT		
		101-11011-0000	CLAIM ON CASH	10,000.00	10,000.00
		280-11011-0000	CLAIM ON CASH		
		280-39200-0000	TRANSFER IN		
12/31/24	17	601-23600-0000	TO RECORD CLIENT ENTRY #1331 NET PENSION LIABILITY	31,255.00	12,545.00
		601-15100-0000	DEFERRED OUTFLOW		11,153.00
		601-23710-0000	DEFERRED INFLOW		7,557.00
		601-49440-1139	PENSION EXPENSE	37,507.00	
		605-23600-0000	NET PENSION LIABILITY		15,054.00
		605-15100-0000	DEFERRED OUTFLOW		13,384.00
		605-23710-0000	DEFERRED INFLOW		9,069.00
		605-49490-1139	PENSION EXPENSE	31,255.00	
		610-23600-0000	NET PENSION LIABILITY		12,545.00
		610-15100-0000	DEFERRED OUTFLOW		11,153.00
		610-23710-0000	DEFERRED INFLOW		7,557.00
		610-49520-1139	PENSION EXPENSE	25,004.00	
		615-23600-0000	NET PENSION LIABILITY		10,036.00
		615-15100-0000	DEFERRED OUTFLOW		8,923.00
		615-23710-0000	DEFERRED INFLOW		6,045.00
		615-49750-1139	PENSION EXPENSE		
12/31/24	18	101-22021-0000	TO RECORD ADDITIONAL PAYABLE TO RELIEF ASSN BB-1D		46,871.88
		101-22021-0000	ACCOUNTS PAYABLE	9,181.67	9,181.67
		101-42295-1124	FIREMANS RELIEF	46,871.88	
		101-42295-1124	FIREMANS RELIEF		
Totals for Adjusting Journal Entries				<u>6,778,220.21</u>	<u>6,778,220.21</u>
Report Totals				<u>6,778,220.21</u>	<u>6,778,220.21</u>

Journal Entry count = 18