

**CITY OF ROSEAU  
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

## TABLE OF CONTENTS

---

	<u>Exhibit</u>	<u>Page</u>
<b>CITY OFFICIALS</b>		1
<b>INDEPENDENT AUDITOR'S REPORT</b>		2-4
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Management's Discussion and Analysis		5-10
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	16
Statement of Net Position – Proprietary Funds	A-7	17-18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	A-8	19
Statement of Cash Flows – Proprietary Funds	A-9	20-21
Notes to the Financial Statements		22-39
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund		40-41
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Community and Economic Development Fund		42
Schedule of City Contributions		43
Schedule of City's Share of Net Pension Liability		44
Notes to the Required Supplementary Information		45-48

## TABLE OF CONTENTS - Page 2

---

	<u>Exhibit</u>	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Combining Balance Sheet – Nonmajor Governmental Funds	B-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	B-2	50
Schedule of Changes in Fund Balances and Net Position		51
Schedule of Indebtedness		52
<b>OTHER REPORTS</b>		
Independent Auditor’s Report on Minnesota Legal Compliance		53
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		54-55
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		56-57
Schedule of Expenditures of Federal Awards		58
Notes to the Schedule of Expenditures of Federal Awards		59
Schedule of Findings and Questioned Costs		60-62
Summary Schedule of Prior Audit Findings		63
Corrective Action Plan		64

**CITY OF ROSEAU, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2020**

---

Mayor	Jeff Pelowski
Council	Patrick Novacek
Council	Amy Bassingthwaite
Council	Jane Evans
Council	Brady Johnson
City Clerk/Treasurer	Beth Carlson
Community Development Coordinator	Todd Peterson

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Roseau  
Roseau, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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.

### ***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 financial position of the governmental activities of the City of Roseau, Minnesota, as of December 31, 2020, and the changes in financial position thereof 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, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of December 31, 2020, 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.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of City contributions, schedule of City’s share of net pension liability, and notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseau’s basic financial statements. The combining statements, schedule of changes in fund balances and net position, and schedule of indebtedness as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements, schedule of changes in fund balances and net position, schedule of indebtedness, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances and net position, schedule of indebtedness, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the City of Roseau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Roseau's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

March 29, 2021

This page intentionally left blank



**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

As management of the City of Roseau, we offer readers of the City of Roseau's financial statements this narrative overview and analysis of the financial activities of the City of Roseau for the fiscal year ended December 31, 2020.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,311,512 (net position). Of this amount, \$8,168,710 may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the unrestricted fund balance for the general fund was \$685,779 or 21% of the total general fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and airport. The business-type activities of the City include, liquor, water, electric, sewer service, townhomes, and garbage.

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used 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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

general fund, community and economic development fund, and capital projects fund, all of which are considered major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and community and economic development fund to demonstrate compliance with this budget.

**Proprietary Funds.** *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its liquor operations, water, electric, sewer service, townhomes, and garbage collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all proprietary funds all of which are considered major funds, except for the garbage collection fund.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,311,512 at the close of the most recent fiscal year.

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 2,359,771	\$ 2,705,123	\$ 8,672,060	\$ 8,484,329	\$ 11,031,831	\$ 11,189,452
Capital Assets	46,385,142	44,999,528	6,822,382	7,456,195	53,207,524	52,455,723
Total Assets	<u>48,744,913</u>	<u>47,704,651</u>	<u>15,494,442</u>	<u>15,940,524</u>	<u>64,239,355</u>	<u>63,645,175</u>
Deferred Outflows of Resources	<u>319,917</u>	<u>455,420</u>	<u>55,637</u>	<u>29,195</u>	<u>375,554</u>	<u>484,615</u>
Long-term Liabilities	1,292,503	1,182,682	3,054,704	2,992,444	4,347,207	4,175,126
Other Liabilities	85,150	204,644	445,586	434,516	530,736	639,160
Total Liabilities	<u>1,377,653</u>	<u>1,387,326</u>	<u>3,500,290</u>	<u>3,426,960</u>	<u>4,877,943</u>	<u>4,814,286</u>
Deferred Inflows of Resources	<u>404,651</u>	<u>738,728</u>	<u>20,803</u>	<u>80,021</u>	<u>425,454</u>	<u>818,749</u>
Net Position						
Net Investment in						
Capital Assets	46,272,035	44,831,928	4,308,043	4,929,829	50,580,078	49,761,757
Restricted	186,387	176,027	376,337	326,056	562,724	502,083
Unrestricted	824,104	1,026,062	7,344,606	7,206,853	8,168,710	8,232,915
Total Net Position	<u>\$ 47,282,526</u>	<u>\$ 46,034,017</u>	<u>\$ 12,028,986</u>	<u>\$ 12,462,738</u>	<u>\$ 59,311,512</u>	<u>\$ 58,496,755</u>

A portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, construction in process, buildings, improvements other than buildings, machinery and equipment), less any related debt used to acquire assets

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 218,702	\$ 283,206	\$ 7,527,395	\$ 7,395,692	\$ 7,746,097	\$ 7,678,898
Operating Grants and Contributions	321,684	182,460			321,684	182,460
Capital Grants and Contributions	1,736,247	2,222,710			1,736,247	2,222,710
<b>General Revenues</b>						
Taxes	1,230,987	1,234,598			1,230,987	1,234,598
Unrestricted State Aid	727,574	689,786			727,574	689,786
Unrestricted Investment Earnings	67,491	70,360	3,066	6,639	70,557	76,999
Sale of Capital Asset	135,914				135,914	
Other General Revenue	194,202	138,425	19,434	17,508	213,636	155,933
<b>Total Revenues</b>	<u>4,632,801</u>	<u>4,821,545</u>	<u>7,549,895</u>	<u>7,419,839</u>	<u>12,182,696</u>	<u>12,241,384</u>
<b>Expenses</b>						
General Government	501,932	538,481			501,932	538,481
Public Safety	1,258,257	1,152,682			1,258,257	1,152,682
Public Works	1,068,603	1,213,438			1,068,603	1,213,438
Culture and Recreation	874,487	918,798			874,487	918,798
Economic Development	292,005	278,813			292,005	278,813
Airport	220,888	115,957			220,888	115,957
Interest on Long-term Debt	4,191	5,520			4,191	5,520
Municipal Liquor Store			1,884,453	1,638,894	1,884,453	1,638,894
Water			594,687	607,596	594,687	607,596
Electric			3,506,472	3,644,623	3,506,472	3,644,623
Sewer Service			512,056	541,913	512,056	541,913
Roseau Court Townhomes			192,016	196,783	192,016	196,783
Garbage			457,892	412,336	457,892	412,336
<b>Total Expenses</b>	<u>4,220,363</u>	<u>4,223,689</u>	<u>7,147,576</u>	<u>7,042,145</u>	<u>11,367,939</u>	<u>11,265,834</u>
<b>Change in Net Position Before Transfers</b>	412,438	597,856	402,319	377,694	814,757	975,550
<b>Transfers</b>	836,071	836,071	(836,071)	(836,071)		
<b>Change in Net Position</b>	1,248,509	1,433,927	(433,752)	(458,377)	814,757	975,550
<b>Net Position - January 1</b>	46,034,017	44,600,090	12,462,738	12,921,115	58,496,755	57,521,205
<b>Net Position - December 31</b>	<u>\$ 47,282,526</u>	<u>\$ 46,034,017</u>	<u>\$ 12,028,986</u>	<u>\$ 12,462,738</u>	<u>\$ 59,311,512</u>	<u>\$ 58,496,755</u>

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Governmental Activities.** The change in net position before transfers was an increase of \$412,438. The governmental activities received \$836,071 from the business-type activities during 2020, resulting in an increase in net position of \$1,248,509.

**Business-type Activities.** The change in net position before transfers was an increase of \$402,319. The business-type activities transferred \$836,071 to the governmental activities, resulting in a decrease in net position of \$433,752.

**Financial Analysis of the Government's Funds**

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

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

**Major Funds**

	Fund Balance / Net Position		Increase (Decrease)	Percentage Increase (Decrease)
	12/31/2020	12/31/2019		
Governmental Funds				
General	\$ 685,779	\$ 484,966	\$ 200,813	41%
Community and Economic Development	404,468	373,826	30,642	8%
Capital Projects	(756,754)	(334,312)	(422,442)	-126%
Proprietary Funds				
Municipal Liquor Store	1,358,294	1,273,762	84,532	7%
Water	2,102,192	2,308,069	(205,877)	-9%
Electric	5,447,274	5,509,784	(62,510)	-1%
Sewer Service	3,065,254	3,313,818	(248,564)	-8%
Roseau Court Townhomes	(595,052)	(592,777)	(2,275)	0%

**General Fund Budgetary Highlights**

During the year the City did not amend the budget.

The City received revenues over the budgeted amounts of \$132,402 and expended \$171,679 less than the budget.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$53,207,524 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, and machinery and equipment.

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Capital Assets**  
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Land	\$ 12,506,912	\$ 12,339,014	\$ 292,613	\$ 292,613	\$ 12,799,525
Construction in Process	991,343	2,240,853			991,343	2,240,853
Buildings	13,035,134	10,064,099	2,031,568	2,112,261	15,066,702	12,176,360
Improvements Other Than Buildings	18,511,515	19,034,659	28,370	33,568	18,539,885	19,068,227
Plant and Equipment			4,379,216	4,909,513	4,379,216	4,909,513
Machinery and Equipment	1,340,238	1,320,903	90,615	108,240	1,430,853	1,429,143
Total	\$ 46,385,142	\$ 44,999,528	\$ 6,822,382	\$ 7,456,195	\$ 53,207,524	\$ 52,455,723

Additional information on the City's capital assets can be found in Note 5 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had \$2,627,446 in loans and other long-term obligations.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Loans Payable	\$	\$	\$ 2,514,339	\$ 2,526,366	\$ 2,514,339
Capital Lease	113,107	167,600			113,107	167,600
Total	\$ 113,107	\$ 167,600	\$ 2,514,339	\$ 2,526,366	\$ 2,627,446	\$ 2,693,966

Additional information on the City's long-term debt can be found in Note 9 of this report.

**Economic Factors**

In spite of the COVID conditions in 2020, the Roseau economy was strong with very little disruption to the area's main manufacturing employers. The City's largest employer, Polaris Industries, experienced increasing sales for locally produced products leading to increasing levels of production and need for additional labor throughout 2020. However, a limited local workforce continues to restrict the amount of growth Polaris Industries can reasonably achieve in this region. Thus, the City of Roseau through its Economic Development Authority continues to work with our area employers to develop a comprehensive marketing plan to market and grow our region's population, labor force and housing supply in the coming years.

Stable State and Federal assistance and COVID relief aids have resulted in consistent aids for local government units, including the City of Roseau. While State and Federal operational aides do not constitute a significant portion of the City of Roseau's budget, those aides do help provide additional improvements otherwise unaffordable to the community. The City of Roseau currently carries no general long-term debt obligations, maintains healthy fund balances, and enjoys newer infrastructure, placing the community in a good position to maintain existing services without significantly increasing tax or fee levels to local residents and businesses. In addition, the City of Roseau maintains a lean workforce and an overall streamlined operation. The City's on-going efforts to reduce costs of services along with its ability to supplement funding for general city operations with revenues generated from local enterprise operations keeps our community less dependent on State LGA for critical services. LGA represents less than 10% of the City's total operating revenue.

The City of Roseau's employment and tax base is largely dependent upon two major employers, Polaris Industries and LifeCare Medical Center. Both entities continue to show commitment to Roseau through significant investments in local facilities. Polaris continues to design and manufacture new products in Roseau including its entire snowmobile line, all of its ATV models and its military fit-up division. Many of Polaris' newest market entries have been designed and/or manufactured in the Roseau facility.

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

The 2020 COVID pandemic presented some challenges for LifeCare Medical Center and Altru Clinic with restricted services and lower revenues. Altru Clinic reduced staff in response to the healthcare challenges posed by the decrease in services to patients due to COVID. LifeCare maintain operations, but also has weathered lower revenues.

A traditional barrier to growth in Roseau has been a lack of available housing for new residents. In 2020 the City through its EDA arm has partnered with a private developer to initiate development of a new 37-unit market rate workforce housing apartment complex. Additionally, the City has purchased land and invested in developing a new 17 lot subdivision on the south side of Roseau for additional single-family housing. The lack of construction capacity in the region still continues to be a hurdle to rapid increases in housing stock as well as the increasing costs of construction.

The city of Roseau witnessed a resurgence in our retail sector in 2020 with the additions of Tractor Supply Company, O'Reilly Auto Parts and Burger King. These additions filled voids in the community that may lead to continued expansion.

Agriculture continues to provide diversification and stability for the overall local economy. However, untimely and excessive rains in the spring of 2020 had impacts on the 2020 crops in certain parts of the County.

In 2018 the U.S. Customs and Border Protection Agency instituted a new policy reducing the hours of operation of the Roseau Port of Entry from 8 am – 12 pm to 8 am – 8 pm. Furthermore, in 2020 as a result of the COVID pandemic the U.S./Canadian border was closed completely to non-essential traffic. This U.S. port of entry provides the most direct access to Canada and the Northwest Angle of Minnesota for local residents and travelers to Lake of the Woods. It is believed by Roseau officials that these border restrictions have had negative impacts on the Roseau community by restricting access for residents of Canada and the NW Angle who work, shop and recreate in the Roseau area. The City continues to work with its congressional delegation to reopen the border, restore the reduced hours and expand the port accessibility through remote processing technology.

The greatest issues of concern for the City's on-going operations include many of the following:

- Significant reductions or the elimination of aids and grants from the State and Federal Government for on-going city operations.
- Slowing economy or changing market forces resulting in reduced hours and/or major layoffs at area employers.
- Additional changes that would further restrict entry at the Roseau Port of Entry from Canada.
- Inability to provide sufficient workforce and housing supply in the community for local employers.
- Changing retail trends negatively impacting local retail businesses.
- Poor economic conditions resulting in increased tax delinquencies and reduced enterprise sales.
- Increasing costs of providing employee pensions and health benefits.
- Increasing costs of on-going operations as a result of unfunded State and Federal mandates and rising costs of infrastructure.
- Evolving political attitudes and regulations involving power generation from fossil fuels, of which, the City of Roseau is a coal-fired power generation owner and provider.
- Increased regulations related to sanitary sewer effluent, storm water discharge, and other environmental regulations on day-to-day city operations that would dramatically increase costs of service with limited ability to recapture those costs through improved service.
- State or Federal legislation restricting or eliminating the City's ability to operate various revenue generating enterprises and the transfer of those profits to the general fund.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk-Treasurer, City of Roseau, 121 Center Street East, Suite 202, Roseau, MN 56751.

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

**Exhibit A-1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 1,360,418	\$ 6,410,261	\$ 7,770,679
Receivables			
Accounts (Net of Allowance)	12,329	511,381	523,710
Delinquent Taxes	99,000		99,000
Special Assessments	479,900		479,900
Notes Receivable (Net of Allowance)	1,122,556		1,122,556
Internal Balances	(1,147,035)	1,147,035	
Due from Other Governments	432,603		432,603
Inventory		247,903	247,903
Restricted: Funded Reserves		333,976	333,976
Restricted: Tenant Security Deposits, Cash		21,504	21,504
Capital Assets			
Land	12,506,912	292,613	12,799,525
Construction in Process	991,343		991,343
Buildings	17,913,432	3,109,520	21,022,952
Improvements Other than Buildings	27,948,537	103,975	28,052,512
Plant and Equipment		16,871,743	16,871,743
Machinery and Equipment	3,698,274	709,727	4,408,001
Less: Accumulated Depreciation	(16,673,356)	(14,265,196)	(30,938,552)
Total Capital Assets, Net of Depreciation	<u>46,385,142</u>	<u>6,822,382</u>	<u>53,207,524</u>
<b>TOTAL ASSETS</b>	<u>48,744,913</u>	<u>15,494,442</u>	<u>64,239,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	319,917	55,637	375,554
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>319,917</u>	<u>55,637</u>	<u>375,554</u>
<b>LIABILITIES</b>			
Accounts Payable	62,763	314,426	377,189
Accrued Expenses	16,755		16,755
Accrued Payroll Expenses	1,612	5,433	7,045
Due to Other Governments	4,020	61,993	66,013
Consumer Deposits		56,975	56,975
Accrued Interest Payable		1,616	1,616
Prepaid Rent		1,486	1,486
Unearned Revenue		3,657	3,657
Noncurrent Liabilities			
Net Pension Liability	954,538	443,365	1,397,903
Due Within One Year	112,081	36,984	149,065
Due in More than One Year	225,884	2,574,355	2,800,239
<b>TOTAL LIABILITIES</b>	<u>1,377,653</u>	<u>3,500,290</u>	<u>4,877,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	404,651	20,803	425,454
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>404,651</u>	<u>20,803</u>	<u>425,454</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	46,272,035	4,308,043	50,580,078
Restricted for:			
Funded Reserves		333,976	333,976
MHFA - Residual Receipts		42,361	42,361
Economic Development	186,387		186,387
Unrestricted	824,104	7,344,606	8,168,710
<b>TOTAL NET POSITION</b>	<u>\$ 47,282,526</u>	<u>\$ 12,028,986</u>	<u>\$ 59,311,512</u>

See Notes to the Financial Statements

This page intentionally left blank



**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-2**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>								
General Government	\$ 501,932	\$ 56,764	\$ 100,320	\$	\$ (344,848)	\$ (344,848)		
Public Safety	1,258,257	80,750	135,895		(1,041,612)	(1,041,612)		
Public Works	1,068,603	17,657		780	(1,050,166)	(1,050,166)		
Culture and Recreation	874,487	10,135	12,664		(851,688)	(851,688)		
Economic Development	292,005	5,395	33,186		(253,424)	(253,424)		
Airport	220,888	48,001	39,619	1,735,467	1,602,199	1,602,199		
Interest on Long-term Debt	4,191				(4,191)	(4,191)		
Total Governmental Activities	<u>4,220,363</u>	<u>218,702</u>	<u>321,684</u>	<u>1,736,247</u>	<u>(1,943,730)</u>	<u>(1,943,730)</u>		
<b>Business-type Activities:</b>								
Municipal Liquor Store	1,884,453	2,168,664			284,211	284,211		
Water	594,687	375,629			(219,058)	(219,058)		
Electric	3,506,472	3,941,874			435,402	435,402		
Sewer Service	512,056	362,128			(149,928)	(149,928)		
Roseau Court Townhomes	192,016	222,746			30,730	30,730		
Garbage	457,892	456,354			(1,538)	(1,538)		
Total Business-type Activities	<u>7,147,576</u>	<u>7,527,395</u>			<u>379,819</u>	<u>379,819</u>		
Total Government	<u>\$ 11,367,939</u>	<u>\$ 7,746,097</u>	<u>\$ 321,684</u>	<u>\$ 1,736,247</u>	<u>(1,943,730)</u>	<u>(1,563,911)</u>		
<b>General Revenues:</b>								
					1,140,876	1,140,876		
					49,135	49,135		
					40,976	40,976		
					727,574	727,574		
					67,491	3,066		
					194,202	19,434		
					135,914	135,914		
					836,071	(836,071)		
					<u>3,192,239</u>	<u>(813,571)</u>		
						<u>2,378,668</u>		
					Change in Net Position	1,248,509	(433,752)	814,757
					Net Position - January 1	46,034,017	12,462,738	58,496,755
					Net Position - December 31	<u>\$ 47,282,526</u>	<u>\$ 12,028,986</u>	<u>\$ 59,311,512</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

**Exhibit A-3**

	<u>General</u>	<u>Community and Economic Development</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Investments	\$ 707,293	\$ 404,468	\$	\$ 248,656	\$ 1,360,417
Receivables					
Accounts	9,198			3,131	12,329
Tax Receivable - Delinquent	99,000				99,000
Special Assessments					
Delinquent	48,400				48,400
Noncurrent	431,500				431,500
Notes Receivable	674,521	853,035			1,527,556
Due from Other Funds	11,973				11,973
Due from Other Governments			432,603		432,603
<b>TOTAL ASSETS</b>	<u>\$ 1,981,885</u>	<u>\$ 1,257,503</u>	<u>\$ 432,603</u>	<u>\$ 251,787</u>	<u>\$ 3,923,778</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 20,298	\$	\$ 42,322	\$ 143	\$ 62,763
Accrued Expenses	16,755				16,755
Accrued Salaries	1,612				1,612
Due to Other Funds			1,147,035	11,973	1,159,008
Due to Other Governments	4,020				4,020
Total Liabilities	<u>42,685</u>		<u>1,189,357</u>	<u>12,116</u>	<u>1,244,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes	99,000				99,000
Unavailable Revenue - Notes Receivable	674,521	853,035			1,527,556
Unavailable Revenue - Special Assessments	479,900				479,900
Total Deferred Inflows of Resources	<u>1,253,421</u>	<u>853,035</u>			<u>2,106,456</u>
<b>FUND BALANCES</b>					
Restricted for:					
Economic Development				186,387	186,387
Committed for:					
Economic Development		404,468			404,468
Birding Trail				7,757	7,757
Roseau P.D.				12,878	12,878
Assigned for Economic Development				32,649	32,649
Unassigned	685,779		(756,754)		(70,975)
Total Fund Balances	<u>685,779</u>	<u>404,468</u>	<u>(756,754)</u>	<u>239,671</u>	<u>573,164</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,981,885</u>	<u>\$ 1,257,503</u>	<u>\$ 432,603</u>	<u>\$ 251,787</u>	<u>\$ 3,923,778</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

**Exhibit A-4**

---

Total fund balances - governmental funds	\$ 573,164
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	63,058,498
Less: accumulated depreciation	(16,673,356)
Deferred outflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	319,917
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Net pension liability	(954,538)
Capital Lease	(113,107)
Compensated absences	(224,858)
Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(404,651)
An allowance has been set up for notes receivable in the government-wide financial statements.	(405,000)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>2,106,457</u>
Net position - governmental activities	<u>\$ 47,282,526</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-5**

	<u>General</u>	<u>Community and Economic Development</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property Taxes	\$ 1,039,025	\$	\$	\$ 109,696	\$ 1,148,721
Hotel / Motel Tax				49,135	49,135
Franchise Fee	40,976				40,976
Special Assessments	93,580				93,580
Licenses and Permits	33,986				33,986
Intergovernmental					
Federal	130,320		923,843		1,054,163
State	873,088		811,625	12,664	1,697,377
Charges for Services	167,928				167,928
Fines and Forfeitures	11,392				11,392
Interest on Investments	50,101	391			50,492
Miscellaneous	65,677	98,340	61,752	41,858	267,627
Total Revenues	<u>2,506,073</u>	<u>98,731</u>	<u>1,797,220</u>	<u>213,353</u>	<u>4,615,377</u>
<b>EXPENDITURES</b>					
Current					
General Government	467,666		109		467,775
Public Safety	1,181,950				1,181,950
Public Works	352,428				352,428
Culture and Recreation	571,942	23,874		4,563	600,379
Economic Development	100,438	44,215		161,697	306,350
Airport	85,068				85,068
Capital Outlay					
General Government	25,297				25,297
Public Works	257,812		172,190		430,002
Culture and Recreation	107,099				107,099
Economic Development	68,861		500		69,361
Airport			2,046,863		2,046,863
Debt Service					
Principal	54,493				54,493
Interest	4,191				4,191
Total Expenditures	<u>3,277,245</u>	<u>68,089</u>	<u>2,219,662</u>	<u>166,260</u>	<u>5,731,256</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(771,172)</u>	<u>30,642</u>	<u>(422,442)</u>	<u>47,093</u>	<u>(1,115,879)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers In	836,071				836,071
Sale of Capital Asset	135,914				135,914
Total Other Financing Sources	<u>971,985</u>				<u>971,985</u>
NET CHANGE IN FUND BALANCES	200,813	30,642	(422,442)	47,093	(143,894)
FUND BALANCE, JANUARY 1	<u>484,966</u>	<u>373,826</u>	<u>(334,312)</u>	<u>192,578</u>	<u>717,058</u>
FUND BALANCE, DECEMBER 31	<u>\$ 685,779</u>	<u>\$ 404,468</u>	<u>\$ (756,754)</u>	<u>\$ 239,671</u>	<u>\$ 573,164</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-6**

Total net change in fund balances - governmental funds.	\$ (143,894)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	2,774,809
Depreciation expense	(1,389,195)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	54,493
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(81,964)
Change in net pension liability	(149,614)
Change in deferred outflows and inflows of resources related to net pension liability	198,574
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	
Compensated absences	<u>(14,700)</u>
Change in net position - governmental activities	<u>\$ 1,248,509</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

**Exhibit A-7**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Investments	\$ 656,643	\$ 387,625	\$ 4,128,656	\$ 469,609	\$ 86,971	\$ 680,757	\$ 6,410,261
Accounts Receivable (Net of Allowance)	18,278	35,102	367,292	35,824	1,630	53,255	511,381
Due From Other Funds			1,147,035				1,147,035
Inventory	187,493		60,410				247,903
Total Current Assets	<u>862,414</u>	<u>422,727</u>	<u>5,703,393</u>	<u>505,433</u>	<u>88,601</u>	<u>734,012</u>	<u>8,316,580</u>
<b>NONCURRENT ASSETS</b>							
Restricted: Funded Reserves					333,976		333,976
Restricted: Tenant Security Deposits, Cash					21,504		21,504
Capital Assets							
Land	20,000	16,250	61,885	119,478	75,000		292,613
Improvements Other than Buildings					103,975		103,975
Buildings	684,697				2,424,823		3,109,520
Plant and Equipment		7,039,915	2,689,262	7,142,566			16,871,743
Machinery and Equipment	290,462				49,373	369,892	709,727
Less: accumulated depreciation	(332,673)	(5,278,039)	(2,606,011)	(4,608,476)	(1,147,951)	(292,046)	(14,265,196)
Total Capital Assets	<u>662,486</u>	<u>1,778,126</u>	<u>145,136</u>	<u>2,653,568</u>	<u>1,505,220</u>	<u>77,846</u>	<u>6,822,382</u>
Total Noncurrent Assets	<u>662,486</u>	<u>1,778,126</u>	<u>145,136</u>	<u>2,653,568</u>	<u>1,860,700</u>	<u>77,846</u>	<u>7,177,862</u>
Total Assets	<u>1,524,900</u>	<u>2,200,853</u>	<u>5,848,529</u>	<u>3,159,001</u>	<u>1,949,301</u>	<u>811,858</u>	<u>15,494,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Cost Sharing Defined Benefit Pension Plan	<u>14,183</u>	<u>9,819</u>	<u>5,998</u>	<u>9,819</u>		<u>15,818</u>	<u>55,637</u>
Total Deferred Outflows of Resources	<u>14,183</u>	<u>9,819</u>	<u>5,998</u>	<u>9,819</u>		<u>15,818</u>	<u>55,637</u>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF NET POSITION - Continued  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

**Exhibit A-7**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable	18,731	5,480	272,613	1,417	3,351	12,834	314,426
Accrued Expenses	235	1,625	(328)	1,136	2,086	679	5,433
Due to Other Governments	21,121	362	31,441			9,069	61,993
Consumer Deposits			35,500		21,475		56,975
Interest Payable					1,616		1,616
Prepaid Rent					1,486		1,486
Unearned Revenue	986		2,671				3,657
Current Portion - Long Term Liabilities	5,350	4,775	3,825	4,775	12,734	5,525	36,984
Total Current Liabilities	<u>46,423</u>	<u>12,242</u>	<u>345,722</u>	<u>7,328</u>	<u>42,748</u>	<u>28,107</u>	<u>482,570</u>
<b>NONCURRENT LIABILITIES</b>							
Loans Payable					2,514,339		2,514,339
Compensated Absences	21,400	19,100	15,300	19,100		22,100	97,000
Net Pension Liability	113,014	78,241	47,814	78,241		126,055	443,365
Less: Current Portion of Long Term Liabilities	(5,350)	(4,775)	(3,825)	(4,775)	(12,734)	(5,525)	(36,984)
Total Noncurrent Liabilities	<u>129,064</u>	<u>92,566</u>	<u>59,289</u>	<u>92,566</u>	<u>2,501,605</u>	<u>142,630</u>	<u>3,017,720</u>
Total Liabilities	<u>175,487</u>	<u>104,808</u>	<u>405,011</u>	<u>99,894</u>	<u>2,544,353</u>	<u>170,737</u>	<u>3,500,290</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Cost Sharing Defined Benefit Pension Plan	5,302	3,672	2,242	3,672		5,915	20,803
Total Deferred Inflows of Resources	<u>5,302</u>	<u>3,672</u>	<u>2,242</u>	<u>3,672</u>		<u>5,915</u>	<u>20,803</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	662,486	1,778,126	145,136	2,653,568	(1,009,119)	77,846	4,308,043
Restricted for Funded Reserves					333,976		333,976
Restricted for MHFA - Residual Receipts					42,361		42,361
Unrestricted	695,808	324,066	5,302,138	411,686	37,730	573,178	7,344,606
Total Net Position	<u>\$ 1,358,294</u>	<u>\$ 2,102,192</u>	<u>\$ 5,447,274</u>	<u>\$ 3,065,254</u>	<u>\$ (595,052)</u>	<u>\$ 651,024</u>	<u>\$ 12,028,986</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-8**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
<b>OPERATING REVENUES</b>							
Sales	\$ 2,168,664	\$	\$	\$	\$	\$	\$ 2,168,664
Cost of Sales	1,589,875						1,589,875
Gross Profit	578,789						578,789
Charges for Services		373,846	3,927,155	361,630		456,354	5,118,985
Other Services		1,783	14,719	1,862	222,746		241,110
Total Operating Revenues	578,789	375,629	3,941,874	363,492	222,746	456,354	5,938,884
<b>OPERATING EXPENSES</b>							
Production Expense		156,026	3,042,953				3,198,979
Distribution Expense		30,198	212,246	18,436			260,880
General Expense	274,506	146,745	221,103	221,193	110,519	440,267	1,414,333
Depreciation	20,072	261,718	30,171	272,427	65,819	17,625	667,832
Total Operating Expenses	294,578	594,687	3,506,473	512,056	176,338	457,892	5,542,024
Operating Income (Loss)	284,211	(219,058)	435,401	(148,564)	46,408	(1,538)	396,860
<b>NONOPERATING REVENUE (EXPENSE)</b>							
Interest on Investments					3,066		3,066
Other Income	321	13,181	2,089			2,480	18,071
Interest Expense					(15,678)		(15,678)
Total Nonoperating Revenue (Expense)	321	13,181	2,089		(12,612)	2,480	5,459
Net Income (Loss) before Transfers	284,532	(205,877)	437,490	(148,564)	33,796	942	402,319
TRANSFERS OUT	(200,000)		(500,000)	(100,000)	(36,071)		(836,071)
Change in Net Position	84,532	(205,877)	(62,510)	(248,564)	(2,275)	942	(433,752)
TOTAL NET POSITION, JANUARY 1	1,273,762	2,308,069	5,509,784	3,313,818	(592,777)	650,082	12,462,738
TOTAL NET POSITION, DECEMBER 31	\$ 1,358,294	\$ 2,102,192	\$ 5,447,274	\$ 3,065,254	\$ (595,052)	\$ 651,024	\$ 12,028,986

See Notes to the Financial Statements



**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-9**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Customers and Users	\$ 2,161,427	\$ 373,232	\$ 3,980,044	\$ 363,114	\$ 223,846	\$ 453,812	\$ 7,555,475
Payments to Suppliers	(1,641,581)	(177,606)	(3,388,346)	(81,424)	(111,904)	(176,592)	(5,577,453)
Payments to Employees	(199,392)	(162,986)	(118,861)	(162,988)		(250,331)	(894,558)
Net Cash Provided by Operating Activities	<u>320,454</u>	<u>32,640</u>	<u>472,837</u>	<u>118,702</u>	<u>111,942</u>	<u>26,889</u>	<u>1,083,464</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Nonoperating Revenue	319	13,181	2,088			2,480	18,068
Transfers to Other Funds	(200,000)		(500,000)	(100,000)	(33,985)		(833,985)
Due From Other Funds			(753,523)				(753,523)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(199,681)</u>	<u>13,181</u>	<u>(1,251,435)</u>	<u>(100,000)</u>	<u>(33,985)</u>	<u>2,480</u>	<u>(1,569,440)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Purchase of Capital Asset				(34,017)			(34,017)
Payment of Long-Term Debt					(12,027)		(12,027)
Interest on Long-Term Debt					(15,678)		(15,678)
Net Cash Used by Capital and Related Financing Activities				<u>(34,017)</u>	<u>(27,705)</u>		<u>(61,722)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Tax and Insurance Escrow, Net - MN Housing					(493)		(493)
Deposits into Reserve Accounts - MN Housing					(43,109)		(43,109)
Withdrawals from Reserves - MN Housing					3,631		3,631
Interest Earnings					144		144
Net Cash Used by Investing Activities					<u>(39,827)</u>		<u>(39,827)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>120,773</u>	<u>45,821</u>	<u>(778,598)</u>	<u>(15,315)</u>	<u>10,425</u>	<u>29,369</u>	<u>(587,525)</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>535,870</u>	<u>341,804</u>	<u>4,907,254</u>	<u>484,924</u>	<u>98,050</u>	<u>651,388</u>	<u>7,019,290</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 656,643</u>	<u>\$ 387,625</u>	<u>\$ 4,128,656</u>	<u>\$ 469,609</u>	<u>\$ 108,475</u>	<u>\$ 680,757</u>	<u>\$ 6,431,765</u>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>							
Cash and Investments	\$ 656,643	\$ 387,625	\$ 4,128,656	\$ 469,609	\$ 86,971	\$ 680,757	\$ 6,410,261
Restricted Cash - Tenant Security Deposits					21,504		21,504
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<u>\$ 656,643</u>	<u>\$ 387,625</u>	<u>\$ 4,128,656</u>	<u>\$ 469,609</u>	<u>\$ 108,475</u>	<u>\$ 680,757</u>	<u>\$ 6,431,765</u>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit A-9**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ 284,211	\$ (219,058)	\$ 435,401	\$ (148,564)	\$ 46,408	\$ (1,538)	\$ 396,860
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities							
Depreciation	20,072	261,718	30,171	272,427	65,819	17,625	667,832
Bad Debt Expense							
Change in:							
Accounts Receivable	(7,457)	(2,396)	37,203	(379)	(1,457)	(2,542)	22,972
Inventory	2,489		(4,302)				(1,813)
Deferred Outflows	(6,740)	(4,667)	(2,851)	(4,667)		(7,517)	(26,442)
Accounts Payable	16,905	(2,881)	(26,922)	(336)	(1,385)	12,819	(1,800)
Prepaid Rent					231		231
Due to Other Governments	4,483	(297)	(1,413)			149	2,922
Other Current Liabilities		703	2,010	703	2,326	703	6,445
Unearned Revenue	220		968				1,188
Compensated Absences	6,100	(600)	2,500	(600)		7,000	14,400
Net Pension Liability	15,266	10,568	6,458	10,568		17,027	59,887
Deferred Inflows	(15,095)	(10,450)	(6,386)	(10,450)		(16,837)	(59,218)
Total Adjustments	<u>36,243</u>	<u>251,698</u>	<u>37,436</u>	<u>267,266</u>	<u>65,534</u>	<u>28,427</u>	<u>686,604</u>
Net Cash Provided by Operating Activities	<u>\$ 320,454</u>	<u>\$ 32,640</u>	<u>\$ 472,837</u>	<u>\$ 118,702</u>	<u>\$ 111,942</u>	<u>\$ 26,889</u>	<u>\$ 1,083,464</u>

See Notes to the Financial Statements

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The City's significant accounting policies are described below.

**A. Financial Reporting Entity**

For financial reporting purposes, the City of Roseau's primary government includes all funds, elected officials, departments, boards, commissions, and authorities that make up the City's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally dependent upon by the potential component unit.

Based on these criteria, there is one organization considered to be a component unit of the City.

**BLENDED COMPONENT UNIT – Economic Development Authority**

The Authority's governing board is appointed by the government's governing body.

Complete financial statements for the individual component unit may be obtained at the City's administrative office.

Economic Development Authority  
121 Center Street East, Suite 202  
Roseau, Minnesota 56751

**DISCRETELY PRESENTED COMPONENT UNITS – None.**

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and

CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

---

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community and economic development fund* accounts, primarily, for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The *capital projects fund* accounts for financial resources to be used for acquisition or construction of major capital facilities.

The government reports the following major proprietary funds:

The *municipal liquor store fund* is used to account for revenues and expenses to operate the municipal liquor store.

The *water fund* is used to account for revenues and expenses to operate the water utility.

The *electric fund* is used to account for revenues and expenses to operate the electric utilities.

The *sewer service fund* is used to account for revenues and expenses to operate the sewer facility.

The *Roseau Court Townhome fund* is used to account for revenues and expenses to operate the townhomes.

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

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

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

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

**D. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund and the special revenue funds. All annual appropriations lapse at fiscal year-end.

**E. Cash and Cash Equivalents**

Cash balances from all funds are combined and invested to the extent available in authorized investments.

The City considers cash equivalents to be certificates of deposits, money market funds, and other highly liquid investments with original maturities of three months or less. They are carried at cost.

**F. Accounts Receivable**

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable was \$10,000. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 11 days. A late fee is charged on receivables that are outstanding for more than 11 days, and the late charge is 10%.

**G. Property Taxes**

Property tax levies are set by the city council in December each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: personal property - February 28 and June 30; and real property - May 15 and October 15. The county remits the collections to the City and other taxing districts three times a year, in April, July, and December.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

**H. Special Assessments Receivable**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

Noncurrent - assessment installments that will be billed to property owners in future years.

Special assessments receivables not expected to be collected within one year are \$321,000.

**I. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**J. Inventories**

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Proprietary fund inventories for the electric fund and the municipal liquor store fund are presented at lower of cost or market.

**K. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure 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 one year. The government reports infrastructure assets on a network basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. General infrastructure assets acquired prior to January 1, 2004, are not reported in the basic financial statements.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred. In the case of donations, the government values these capital assets at the acquisition value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	40 years
Improvements other than Buildings	20-30 years
Machinery and Equipment	5-20 years
Plant and Equipment	5-60 years

**L. Sales Tax**

Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

**M. Compensated Absences**

Vacation leave is recognized as an expenditure or expense when earned. Full-time City employees are granted from 7 to 28 days of vacation per year depending upon their years of service. Vacation that is earned as of December 31, 2020, and is expected to be taken by December 31, 2020, is considered a current liability and is accrued in the December 31, 2020 financial statements. Unused vacation leave can be accrued up to twice the employees annual earned vacation amount and can be carried over to the succeeding year, however once the maximum is reached, no vacation time will accrue until vacation time is used. No more than the maximum can ever be accrued.

Compensatory time is earned by full-time City employees working hours in excess of their regularly scheduled shift or a forty-hour week. Compensatory time is accrued as a current liability as it is to be used within one year.

All full-time City employees earn sick leave at the rate of one day per month to a maximum of 120 days.

Any full-time employee who has rendered at least five years of service and is in good standing is entitled upon retirement or termination, a portion of their accumulated sick leave balance. Due to the uncertainty as to when employees will terminate or retire, and payment of sick leave benefits will be required, the liability is considered to be long-term.

**N. Unearned Revenue**

The City reports a liability in connection with resources that have been received, but not yet earned.

**O. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are 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 expensed in the period incurred.

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

**P. Pensions**

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

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

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

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item that qualifies for reporting in this category is named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

**R. Fund Equity**

The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

*Nonspendable* - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned* - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council delegates the power to assign fund balances to the City Clerk.

*Unassigned* – consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use 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.

The City will strive to maintain an unrestricted general fund balance of 35% of next year's expenditures.

**S. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital asset, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**T. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.



**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

**NOTE 2. DEFICIT FUND BALANCE/NET POSITION**

Deficit fund balance/net position of individual funds at December 31, 2020, is as follows:

Capital Projects Fund	\$756,754
Roseau Court Townhomes	595,052

The deficit of the Capital Projects Fund is expected to be eliminated through receipt of donations or a transfer from another fund. The deficit of the Roseau Court Townhomes is expected to be eliminated upon the forgiveness of \$2,246,824 of mortgage payable in 2023.

**NOTE 3. DEPOSITS AND INVESTMENTS**

The City maintains a cash account at its depository bank. The City considers certificates of deposit to be cash.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The City may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers’ acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

As of December 31, 2020, the City held no investments.

Custodial Credit Risk – Deposits – The City does not have a formal custodial credit risk policy. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of December 31, 2020, the City had \$62,305 of deposits that were uncollateralized.

**NOTE 4. NOTES RECEIVABLE**

At December 31, 2020, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$1,527,556. The promissory notes have various maturity dates and interest rates. The provision for uncollectible notes on the statement of net position was \$405,000.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,339,014	\$ 167,898	\$	\$ 12,506,912
Construction In Process	2,240,853	969,307	2,218,817	991,343
Total Capital Assets, Not Being Depreciated	<u>14,579,867</u>	<u>1,137,205</u>	<u>2,218,817</u>	<u>13,498,255</u>
Capital Assets, Being Depreciated:				
Buildings	14,575,254	3,338,178		17,913,432
Improvements Other Than Buildings	27,651,453	297,084		27,948,537
Machinery and Equipment	3,477,115	221,159		3,698,274
Total Capital Assets, Being Depreciated	<u>45,703,822</u>	<u>3,856,421</u>		<u>49,560,243</u>
Less: Accumulated Depreciation For:				
Buildings	4,511,155	367,143		4,878,298
Improvements Other Than Buildings	8,616,794	820,228		9,437,022
Machinery and Equipment	2,156,212	201,824		2,358,036
Total Accumulated Depreciation	<u>15,284,161</u>	<u>1,389,195</u>		<u>16,673,356</u>
Total Capital Assets, Being Depreciated, Net	<u>30,419,661</u>	<u>2,467,226</u>		<u>32,886,887</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,999,528</u>	<u>\$ 3,604,431</u>	<u>\$ 2,218,817</u>	<u>\$ 46,385,142</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Business-type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 292,613	\$	\$	\$ 292,613
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	103,975			103,975
Buildings	3,109,520			3,109,520
Plant and Equipment	16,924,151	34,019	86,427	16,871,743
Machinery and Equipment	709,727			709,727
Total Capital Assets, Being Depreciated	<u>20,847,373</u>	<u>34,019</u>	<u>86,427</u>	<u>20,794,965</u>
Less: Accumulated Depreciation For:				
Improvements Other Than Buildings	70,407	5,198		75,605
Buildings	997,259	80,693		1,077,952
Plant and Equipment	12,014,638	564,316	86,427	12,492,527
Machinery and Equipment	601,487	17,625		619,112
Total Accumulated Depreciation	<u>13,683,791</u>	<u>667,832</u>	<u>86,427</u>	<u>14,265,196</u>
Total Capital Assets, Being Depreciated, Net	<u>7,163,582</u>	<u>(633,813)</u>		<u>6,529,769</u>
Business-type Activities Capital Assets, Net	<u>\$ 7,456,195</u>	<u>\$ (633,813)</u>	<u>\$</u>	<u>\$ 6,822,382</u>

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

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

Governmental Activities:	
General Government	\$ 45,675
Public Safety	102,617
Public Works, including depreciation of general infrastructure assets	739,546
Culture and Recreation	369,747
Economic Development	9,350
Airport	122,260
Total Depreciation Expenses - Governmental Activities	<u>\$ 1,389,195</u>
Business-type Activities:	
Municipal Liquor Store	\$ 20,072
Water	261,718
Electric	30,171
Sewer Service	272,427
Roseau Court Townhomes	65,819
Garbage Collections	17,625
Total Depreciation Expense - Business-type Activities	<u>\$ 667,832</u>

**NOTE 6. CONTINGENT LIABILITIES**

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2020, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

**NOTE 7. DEFINED BENEFIT PENSION PLANS**

The financial statements of the City of Roseau have been prepared in accordance with accounting principles generally accepted in the United States of America as described in Note 1. This note disclosure includes the proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources for both governmental and proprietary funds.

Plan Description – The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

*General Employees Retirement Plan*

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

*Public Employees Police and Fire Plan*

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief association that elected to merge with and transfer assets and administration to PERA.

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.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

*General Employees Plan Benefits*

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, 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. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

*Police and Fire Plan Benefits*

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions – Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

*General Employees Fund Contributions*

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in fiscal year 2020, and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$80,790. The City's contributions were equal to the required contributions as set by state statute.

*Police and Fire Fund Contributions*

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$83,426. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2020, the City reported a liability of \$869,341 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$26,902. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0145% at the end of the measurement period and 0.0136% for the beginning of the period.

City's proportionate share of net pension liability	\$	869,341
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>26,902</u>
Total	\$	<u><u>896,243</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$37,488 for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$2,341 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.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,438	\$ 3,292
Difference between projected and actual investment earnings	18,257	
Changes in actuarial assumptions		31,168
Changes in proportion	43,003	6,333
Contributions paid to PERA subsequent to the measurement date	<u>40,395</u>	
Total	<u>\$ 109,093</u>	<u>\$ 40,793</u>

\$40,395 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2021	\$ (36,724)
2022	12,846
2023	30,782
2024	21,001

At December 31, 2020, the City reported a liability of \$528,561 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0401% at the end of the measurement period and 0.0410% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$58,396 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$3,836 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$3,609 for the year ended December 31, 2020 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 Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,640	\$ 26,293
Difference between projected and actual investment earnings	14,454	
Changes in actuarial assumptions	185,524	336,838
Changes in proportion	1,130	21,530
Contributions paid to PERA subsequent to the measurement date	41,713	
Total	\$ 266,461	\$ 384,661

\$41,713 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2021	\$ (42,590)
2022	(156,017)
2023	20,296
2024	20,600
2025	(2,202)

Actuarial Assumptions – The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability beneficiaries for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Stocks	17.50%	5.30%
Cash	2.00%	0.00%

Discount Rate – The discount rate used to measure the total pension liability in 2020 was 7.50%. 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 positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	City Proportionate Share of NPL		
	1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
General Employees Plan	\$ 1,393,253	\$ 869,341	\$ 437,157
Police and Fire Fund	1,053,498	528,561	94,267

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

**NOTE 8. CAPITAL LEASE**

The City entered into a lease agreement as a lessee for financing the acquisition of a fire truck in 2018. As of December 31, 2020, the total value of this capital asset was \$452,646. This year, \$22,632 was included as depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been calculated at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2020, is as follows:

Year Ending December 31,	Governmental Fund
2021	\$ 58,684
2022	58,684
Less: amount representing interest	(4,261)
Present value of minimum lease payments	<u>\$ 113,107</u>

**NOTE 9. LONG-TERM DEBT**

Loans Payable. The City has entered into various loan agreements.

The City has the following loans:



**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
MN Housing Finance Agency	5.72%	2021/35	\$ 267,515
MN Housing Finance Agency (*)		2023	2,246,824
			<u>\$ 2,514,339</u>

\* The debt service requirements to maturity are not disclosed because the loan will be forgiven after 20 years. There are no interest or principal payments due on an annual basis.

Annual debt service requirements to maturity for loans payable are as follows:

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 12,734	\$ 14,971
2022	13,482	14,224
2023	14,273	13,432
2024	15,112	12,594
2025	15,999	11,706
2026-2030	95,241	43,286
2031-2035	100,674	12,457
	<u>\$ 267,515</u>	<u>\$ 122,670</u>

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Capital Lease	\$ 167,600	\$	\$ 54,493	\$ 113,107	\$ 55,856
Compensated Absences Governmental Activity	210,158	94,200	79,500	224,858	56,225
Long-term Liabilities	<u>\$ 377,758</u>	<u>\$ 94,200</u>	<u>\$ 133,993</u>	<u>\$ 337,965</u>	<u>\$ 112,081</u>
<b><u>Business-type Activities</u></b>					
Other Long-term Obligations					
Loans Payable	\$ 2,526,366	\$	\$ 12,027	\$ 2,514,339	\$ 12,734
Compensated Absences Business-type Activity	82,600	57,000	42,600	97,000	24,250
Long-term Liabilities	<u>\$ 2,608,966</u>	<u>\$ 57,000</u>	<u>\$ 54,627</u>	<u>\$ 2,611,339</u>	<u>\$ 36,984</u>

In the governmental activities, compensated absences are generally liquidated by the general fund.

**NOTE 10. CONDUIT DEBT (NO COMMITMENT DEBT)**

The City has issued Senior Housing Revenue Bonds Series 2006 to provide financial assistance to a nonprofit corporation for the construction of an existing facility deemed to be in the public interest. The bonds are secured by an assignment of the Loan Agreement, a Guaranty Agreement and a Mortgage, Security Agreement and Fixture Financing Statement. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. The original issue amount totaled \$2,645,000. In 2015, the issue was refinanced to \$3,529,681.

As of December 31, 2020, the aggregate principal amount payable of the Series 2006 was \$2,046,296.

The City has issued a Municipal Industrial Development Revenue Act Bond to provide financial assistance to a corporation for the construction of a facility deemed to be in the public interest. This Bond is secured by an assignment of

**CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2020**

the Loan Agreement, a Guaranty Agreement and a Mortgage, Security Agreement and Fixture Financing Statement. Accordingly, the Bond is not reported as a liability in the accompanying financial statements.

As of December 31, 2020, the aggregate principal amount payable of the one series issued was \$1,397,958.

**NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2020, is as follows:

Due from / to other funds:

Receivable	Payable	Amount
Electric	Capital Projects	\$ 1,147,035
General	Nonmajor	11,973
		<u>\$ 1,159,008</u>

The amount payable is to cover cash deficits on December 31, 2020.

Interfund Transfers:

Transfer In	Transfer Out	Amount
General	Electric	\$ 500,000
General	Sewer	100,000
General	Liquor Store	200,000
General	Roseau Court Townhomes	36,071
		<u>\$ 836,071</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds.

**NOTE 12. DEFERRED COMPENSATION PLAN AND TRUST**

The City of Roseau offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

**NOTE 13. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters. The City participates with other cities in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its liability, property, automobile, and workers' compensation coverage. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the City's insurance coverage in 2020.

**NOTE 14. SIGNIFICANT CUSTOMER**

The City has a significant customer, which represents about 17% of the water utility billings.

**NOTE 15. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Roseau Court Townhomes' sole asset is a 24-unit townhome project. Roseau Court Townhomes' operations are concentrated in the multifamily real estate market. In addition, Roseau Court Townhomes operates in a heavily regulated environment. The operations of Roseau Court Townhomes are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, MHFA. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by MHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE 16. COMMITTED CONSTRUCTION**

At December 31, 2020, there was approximately \$111,000 in committed construction for airport projects.

**NOTE 17. NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits government acquisitions, risk financing and insurance related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

---

Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on the City's financial statements.

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,049,242	\$ 1,039,025	\$ (10,217)
Franchise Fee	45,000	40,976	(4,024)
Special Assessments	70,000	93,580	23,580
Licenses and Permits	31,100	33,986	2,886
<b>Intergovernmental</b>			
Federal		130,320	130,320
State			
Local Government Aid	725,944	727,437	1,493
Market Value Credit		137	137
Police Aid	45,000	62,352	17,352
Fire Aid	40,000	44,374	4,374
PERA Rate Increase Aid	4,820		(4,820)
Aviation Maintenance Aid	35,758	9,619	(26,139)
Other State Aid		29,169	29,169
	<u>851,522</u>	<u>1,003,408</u>	<u>151,886</u>
<b>Charges for Services</b>			
General Government	33,200	27,937	(5,263)
Public Safety	69,107	69,357	250
Culture and Recreation	60,500	57,792	(2,708)
Airport	12,000	12,842	842
	<u>174,807</u>	<u>167,928</u>	<u>(6,879)</u>
Fines and Forfeitures	16,500	11,392	(5,108)
<b>Miscellaneous</b>			
Interest on Investments	30,000	50,101	20,101
Contributions	2,500		(2,500)
Reimbursements	50,000	56,003	6,003
Other Receipts	53,000	9,674	(43,326)
	<u>135,500</u>	<u>115,778</u>	<u>(19,722)</u>
Total Revenues	<u>2,373,671</u>	<u>2,506,073</u>	<u>132,402</u>
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	35,426	34,596	830
Finance / Administration	93,443	90,494	2,949
Independent Auditors	12,000	11,725	275
Elections	7,650	6,991	659
Assessor	16,546	16,546	
Legal Services	70,487	67,574	2,913
Planning, Zoning, Economic Development	116,461	127,458	(10,997)
Municipal Building	71,873	64,785	7,088
Miscellaneous	46,600	47,497	(897)
Capital Outlay	30,000	25,297	4,703
	<u>500,486</u>	<u>492,963</u>	<u>7,523</u>

cont.

See Notes to the Required Supplementary Information

**CITY OF ROSEAU, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND - Continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES - Continued			
Public Safety			
Police	868,052	852,071	15,981
Fire	222,956	191,575	31,381
Building Inspector	27,500	51,511	(24,011)
Emergency Services	9,450	86,793	(77,343)
Capital Outlay	50,000		50,000
	<u>1,177,958</u>	<u>1,181,950</u>	<u>(3,992)</u>
Public Works			
Streets and Highways	352,722	300,406	52,316
Snow and Ice Removal	36,515	22,609	13,906
Street Lighting and Signals	34,000	29,413	4,587
Capital Outlay	380,000	257,812	122,188
	<u>803,237</u>	<u>610,240</u>	<u>192,997</u>
Culture and Recreation			
Library and Museum	192,027	160,419	31,608
Parks and Recreation	484,848	411,523	73,325
Capital Outlay - Parks and Recreation	115,500	107,099	8,401
	<u>792,375</u>	<u>679,041</u>	<u>113,334</u>
Economic Development			
Current Expenditures	37,811	100,438	(62,627)
Capital Outlay		68,861	(68,861)
	<u>37,811</u>	<u>169,299</u>	<u>(131,488)</u>
Airport			
Current Expenditures	76,373	85,068	(8,695)
Capital Outlay	2,000		2,000
	<u>78,373</u>	<u>85,068</u>	<u>(6,695)</u>
Debt Service			
Principal	54,493	54,493	
Interest	4,191	4,191	
	<u>58,684</u>	<u>58,684</u>	
Total Expenditures	<u>3,448,924</u>	<u>3,277,245</u>	<u>171,679</u>
REVENUES UNDER EXPENDITURES	<u>(1,075,253)</u>	<u>(771,172)</u>	<u>304,081</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,000	836,071	800,071
Sale of Capital Asset	1,000	135,914	134,914
Transfers Out	(5,000)		5,000
Total Other Financing Sources (Uses)	<u>32,000</u>	<u>971,985</u>	<u>939,985</u>
NET CHANGE IN FUND BALANCE	(1,043,253)	200,813	1,244,066
FUND BALANCE, JANUARY 1	484,966	484,966	
FUND BALANCE, DECEMBER 31	<u>\$ (558,287)</u>	<u>\$ 685,779</u>	<u>\$ 1,244,066</u>

See Notes to the Required Supplementary Information

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY AND ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Interest on Investments	\$	\$ 391	\$ 391
Program Income	1,000	86,120	85,120
Contributions	3,500	6,160	2,660
Other Receipts		6,060	6,060
	<u>4,500</u>	<u>98,731</u>	<u>94,231</u>
Total Revenues			
<b>EXPENDITURES</b>			
Culture and Recreation		23,874	(23,874)
Economic Development	3,620	44,215	(40,595)
	<u>3,620</u>	<u>68,089</u>	<u>(64,469)</u>
Total Expenditures			
NET CHANGE IN FUND BALANCE	880	30,642	29,762
FUND BALANCE, JANUARY 1	<u>373,826</u>	<u>373,826</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 374,706</u>	<u>\$ 404,468</u>	<u>\$ 29,762</u>

See Notes to the Required Supplementary Information

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST 10 YEARS**

	<u>Fiscal Year Ended December 31</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
General Employees Plan	2015	\$ 65,772	\$ 65,772	\$	\$ 876,961	7.50 %
	2016	68,194	68,194		909,571	7.50
	2017	68,877	68,877		918,263	7.50
	2018	69,742	69,742		929,900	7.50
	2019	72,387	72,387		965,159	7.50
	2020	80,790	80,790		1,077,195	7.50
Police and Fire Fund	2015	\$ 65,215	\$ 65,215	\$	\$ 402,563	16.20 %
	2016	67,860	67,860		418,888	16.20
	2017	67,828	67,828		418,694	16.20
	2018	69,997	69,997		432,080	16.20
	2019	72,777	72,777		429,366	16.95
	2020	83,426	83,426		471,332	17.70

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior year is not available.



**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS**

	Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Plan	2015	0.0149 %	\$ 772,196	\$	\$ 772,196	\$ 879,546	87.79 %	78.19 %
	2016	0.0146	1,185,448	15,492	1,200,940	893,266	134.44	68.90
	2017	0.0139	887,369	11,136	898,505	913,917	98.31	75.90
	2018	0.0137	760,023	25,019	785,042	924,082	84.95	79.53
	2019	0.0136	751,914	23,332	775,246	947,530	81.82	80.23
	2020	0.0145	869,341	26,902	896,243	1,021,177	87.77	79.06
Police and Fire Fund	2015	0.0430 %	\$ 488,581	\$	\$ 488,581	\$ 398,812	122.51 %	86.61 %
	2016	0.0420	1,685,533		1,685,533	410,725	410.38	63.90
	2017	0.0410	553,549		553,549	418,791	132.18	85.40
	2018	0.0409	435,952		435,952	425,387	102.48	88.84
	2019	0.0410	436,486		436,486	430,723	101.34	89.26
	2020	0.0401	528,561		528,561	450,349	117.37	87.19

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior year is not available.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2020**

---

**NOTE 1. LEGAL COMPLIANCE-BUDGETS**

The City is required by state statutes to adopt an annual budget for its general fund. There is no legal restriction on expenditures in excess of appropriations.

Annual budgets are adopted for the general and the special revenue funds. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Formal budgetary policies are not employed for debt service funds and capital projects funds because effective budgetary control is alternatively achieved by bond requirements or by council approval of individual projects and expenditures.

Appropriations are authorized by the city council at the function and activity level within an individual fund, which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. The city clerk may transfer budgeted amounts between line items. All unexpended appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Any changes in the total budget of each fund must be approved by a majority vote of the city council. No material supplemental appropriations were made during 2020.

**NOTE 2. EXCESS OF ACTUAL EXPENDITURES OVER BUDGET**

The community and economic development funds had \$64,469 of expenditures in excess of budget for the year ended December 31, 2020. No remedial action is required for this expense.

**NOTE 3. DEFINED BENEFIT PLANS**

**PERA**

**General Employees Fund**

*2020 Changes*

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

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

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**DECEMBER 31, 2020**

---

*2019 Changes*

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.

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

*2018 Changes*

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.

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

*2017 Changes*

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.

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

*2016 Changes*

Changes in Plan Provisions: There have been no changes since the prior valuation.

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

*2015 Changes*

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**DECEMBER 31, 2020**

---

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

**Police and Fire Fund**

*2020 Changes*

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2018 to MP-2019.

*2019 Changes*

Changes in Plan Provisions: There have been no changes since the prior valuation.

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

*2018 Changes*

Changes in Plan Provisions: Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. 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. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2016 to MP-2017.

*2017 Changes*

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**DECEMBER 31, 2020**

---

*2016 Changes*

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future 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 5.60 percent. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

*2015 Changes*

Changes in Plan Provisions: The postretirement benefit increases to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

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 2037 and 2.50 percent per year thereafter.

CITY OF ROSEAU, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2020

Exhibit B-1

	Special Revenue					Total Nonmajor Governmental Funds Exhibit A-3
	Lodging Tax	T.I.F.	EDA Building	Pine To Prairie Birding Trail	Roseau P.D.	
<b>ASSETS</b>						
Cash and Investments	\$ 105,725	\$ 89,504	\$ 32,792	\$ 7,757	\$ 12,878	\$ 248,656
Accounts Receivable	3,131					3,131
<b>TOTAL ASSETS</b>	<u>\$ 108,856</u>	<u>\$ 89,504</u>	<u>\$ 32,792</u>	<u>\$ 7,757</u>	<u>\$ 12,878</u>	<u>\$ 251,787</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$	\$	\$ 143	\$	\$	\$ 143
Due to Other Funds		11,973				11,973
Total Liabilities		<u>11,973</u>	<u>143</u>			<u>12,116</u>
<b>Fund Balances</b>						
Restricted for						
Economic Development	108,856	77,531				186,387
Committed for Birding Trail				7,757		7,757
Committed for Public Safety					12,878	12,878
Assigned for Economic Development			32,649			32,649
Total Fund Balances	<u>108,856</u>	<u>77,531</u>	<u>32,649</u>	<u>7,757</u>	<u>12,878</u>	<u>239,671</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 108,856</u>	<u>\$ 89,504</u>	<u>\$ 32,792</u>	<u>\$ 7,757</u>	<u>\$ 12,878</u>	<u>\$ 251,787</u>

**CITY OF ROSEAU, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

**Exhibit B-2**

	Special Revenue					Total Nonmajor Governmental Funds Exhibit A-5
	Lodging Tax	T.I.F.	EDA Building	Pine To Prairie Birding Trail	Roseau P.D.	
<b>REVENUES</b>						
Property Taxes	\$	\$ 109,696	\$	\$	\$	\$ 109,696
Hotel / Motel Tax	49,135					49,135
Intergovernmental - State	8,803			3,861		12,664
Miscellaneous						
Contributions				7,000		7,000
Rents			30,786			30,786
Miscellaneous	72				4,000	4,072
Total Revenues	<u>58,010</u>	<u>109,696</u>	<u>30,786</u>	<u>10,861</u>	<u>4,000</u>	<u>213,353</u>
<b>EXPENDITURES</b>						
Current						
Culture and Recreation				4,563		4,563
Economic Development	56,299	101,047	4,351			161,697
Total Expenditures	<u>56,299</u>	<u>101,047</u>	<u>4,351</u>	<u>4,563</u>		<u>166,260</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,711	8,649	26,435	6,298	4,000	47,093
FUND BALANCE, JANUARY 1	<u>107,145</u>	<u>68,882</u>	<u>6,214</u>	<u>1,459</u>	<u>8,878</u>	<u>192,578</u>
FUND BALANCE, DECEMBER 31	<u>\$ 108,856</u>	<u>\$ 77,531</u>	<u>\$ 32,649</u>	<u>\$ 7,757</u>	<u>\$ 12,878</u>	<u>\$ 239,671</u>

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Beginning Balance	Revenues	Expenditures	Transfer In	Transfer Out	Sale of Capital Asset	Ending Balance
Governmental Funds							
General	\$ 484,966	\$ 2,506,073	\$ 3,277,245	\$ 836,071		\$ 135,914	\$ 685,779
Special Revenue							
Community and Economic Development	373,826	98,731	68,089				404,468
Lodging Tax	107,145	58,010	56,299				108,856
T.I.F.	68,882	109,696	101,047				77,531
EDA Building	6,214	30,786	4,351				32,649
Pine To Prairie Birding Trail	1,459	10,861	4,563				7,757
Roseau PD	8,878	4,000					12,878
Capital Projects	(334,312)	1,797,220	2,219,662				(756,754)
Total Governmental Funds	717,058	4,615,377	5,731,256	836,071		135,914	573,164
Proprietary Funds							
Municipal Liquor Store	1,273,762	2,168,985	1,884,453		200,000		1,358,294
Water	2,308,069	388,810	594,687				2,102,192
Electric	5,509,784	3,943,963	3,506,473		500,000		5,447,274
Sewer Service	3,313,818	363,492	512,056		100,000		3,065,254
Roseau Court Townhomes	(592,777)	225,812	192,016		36,071		(595,052)
Garbage Collection	650,082	458,834	457,892				651,024
Total Proprietary Funds	12,462,738	7,549,896	7,147,577		836,071		12,028,986
Total Primary Government	\$ 13,179,796	\$ 12,165,273	\$ 12,878,833	\$ 836,071	\$ 836,071	\$ 135,914	\$ 12,602,150



**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2020**

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Balance 12/31/2019</u>	<u>Issued 2020</u>	<u>Retired 2020</u>	<u>Balance 12/31/2020</u>	<u>Principal 2021</u>	<u>Interest 2021</u>
Capital Lease		1/8/2018	6/1/2022	\$ 402,646	\$ 167,600	\$	\$ 54,493	\$ 113,107	\$ 55,856	\$ 2,828
Loans										
MHFA Flood EDHC Loan	0.0%	8/13/2003	8/13/2023	1,246,824	1,246,824			1,246,824		
MHFA - POPR Loan	0.0%	8/13/2003	8/13/2023	1,000,000	1,000,000			1,000,000		
Mortgage Note	5.72%	8/1/2004	7/1/2035	396,923	279,542		12,027	267,515	12,734	14,971
Total					<u>2,526,366</u>		<u>12,027</u>	<u>2,514,339</u>	<u>12,734</u>	<u>14,971</u>
Total Indebtedness					<u>\$ 2,693,966</u>	<u>\$</u>	<u>\$ 66,520</u>	<u>\$ 2,627,446</u>	<u>\$ 68,590</u>	<u>\$ 17,799</u>

This page intentionally left blank

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and  
Members of the City Council  
City of Roseau  
Roseau, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2021. The governmental activities has a qualified report because the City did not adopt the provisions of GASB Statement No. 68 for the Fire Relief Association.

### Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying schedule of findings and questioned costs as item 2020-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Purpose of the Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

March 29, 2021

This page intentionally left blank

## 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

To the Honorable Mayor and  
Members of the City Council  
City of Roseau  
Roseau, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2021. The governmental activities had a qualified report because the City did not adopt the provisions of GASB Statement No. 68 for the Fire Relief Association.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of the Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

March 29, 2021

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and  
Members of the City Council  
City of Roseau  
Roseau, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Roseau's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Roseau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report on Internal Control Over Compliance

Management of the City of Roseau is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

### Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

March 29, 2021



**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed-Through MN Department of Transportation:			
Airport Improvement Program	20.106	SP 6801-39	\$ 923,843
COVID - 19 Airport Improvement Program	20.106	SP 6801-C1	<u>30,000</u>
Total U.S. Department of Transportation			<u>953,843</u>
<u>U.S. Department of Treasury</u>			
Passed-Through MN Department of Revenue:			
Coronavirus Relief Fund	21.019		<u>100,320</u>
Total U.S. Department of Treasury			<u>100,320</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,054,163</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

---

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Roseau under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE 4 SUBRECIPIENTS**

During 2020, the City did not pass any federal money to subrecipients.

**CITY OF ROSEAU, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 DECEMBER 31, 2020**

---

**Section I-Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Governmental Activities	Qualified
Business-type Activities	Unmodified
General Fund	Unmodified
Community & Economic Development Fund	Unmodified
Capital Projects Fund	Unmodified
Municipal Liquor Store Fund	Unmodified
Water Fund	Unmodified
Electric Fund	Unmodified
Sewer Service Fund	Unmodified
Roseau Court Townhomes	Unmodified
Aggregate Remaining Funds	Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no  
 Significant deficiency(s) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?  yes  no  
 Significant deficiency(s) identified?  yes  none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.106	COVID – 19 Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
DECEMBER 31, 2020**

---

**Section II- Financial Statement Findings**

**2020-001 FINDING**

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. However, the City currently does not prepare the financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to have the auditors assist with the preparation of the financial statements for efficiency.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

**Section III-Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
DECEMBER 31, 2020**

---

**Section IV – Minnesota Legal Compliance Findings**

**2020-002 FINDING**

Criteria

Minnesota Statute 118A.03 requires the City to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of excess deposit.

Condition

The City had deposits which were in excess of deposit insurance and the City did not have sufficient collateral to cover the deposits.

Cause

The city actively monitors collateral and bank balances. If the city expects they will not have sufficient collateral for a short period of time, they may elect not to request increased collateral from the bank.

Effect

The City had uninsured and uncollateralized deposits at year end.

Recommendation

The City should continue to monitor the depository balances.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and is actively monitoring depository balances.

**CITY OF ROSEAU, MINNESOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020**

---

**2019-001 FINDING**

Criteria

The City does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. For the year ended December 31, 2019, the City's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by GAAP for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting entries and the completed statements prior to distribution to the end users.

Recommendation

We recommend the City review its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statement and to review a financial statement disclosure checklist.

Corrective Action Taken

No action taken. See current year finding 2020-001 and Corrective Action Plan



121 Center Street East  
Suite 202; PO Box 307  
Roseau, Minnesota 56751

218.463.1542  
218.463.1252 FAX  
cityclerk@mncable.net

City Council

Dan Fabian-Mayor  
Amy Bassingthwaite  
Jane Evans  
Brady Johnson  
Pat Novacek

City Dept. Heads

Todd Peterson  
Community Dev. Coord.

David Drown  
City Superintendent

Ward Anderson  
Chief of Police

Linda Roseborough  
Liquor Store Manager

Craig McMillian  
Fire Chief

Administrative Staff

Elizabeth Carlson  
City Clerk-Treasurer

[www.city.roseau.mn.us](http://www.city.roseau.mn.us)

Equal Opportunity Provider and  
Employer

**2020-001 FINDING**

Contact Person – Todd Peterson, Community Development Coordinator

Corrective Action Plan - Will establish a policy to document review of financial statements and notes.

Completion Date - Ongoing

**2020-002 FINDING**

Contact Person – Todd Peterson, Community Development Coordinator

Corrective Action Plan – No corrective action necessary. The city is actively monitoring collateral.

Completion Date – N/A