

**CITY OF ROSEAU  
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

## TABLE OF CONTENTS

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	<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		22-40
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund		42-43
Schedule of City Contributions		44
Schedule of City's Share of Net Pension Liability		45
Notes to the Required Supplementary Information		46-49

TABLE OF CONTENTS - Page 2

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	<u>Exhibit</u>	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Combining Balance Sheet – Nonmajor Governmental Funds	B-1	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	B-2	51
Combining Statement of Net Position – Discretely Presented Component Unit – By Focus	B-3	52
Combining Statement of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Unit – By Focus	B-4	53
Schedule of Changes in Fund Balances and Net Position		54
Schedule of Indebtedness		55
<b>OTHER REPORTS</b>		
Independent Auditor’s Report on Minnesota Legal Compliance		56
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>		57-58
Schedule of Findings		59
Corrective Action Plan		60

**CITY OF ROSEAU, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2022**

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Mayor	Dan Fabian
Council	Patrick Novacek
Council	Amy Bassingthwaite
Council	Mary Hayes
Council	Brady Johnson
City Clerk/Treasurer	Beth Carlson
Community Development Coordinator	Todd Peterson

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### ***Qualified and Unmodified Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business Type Activities	Unmodified
Discretely Presented Component Unit	Qualified
General	Qualified
Capital Project	Qualified
Water	Qualified
Sewer	Unmodified
Liquor	Unmodified
Aggregate Remaining Information	Qualified

#### ***Qualified Opinion on Governmental Activities, Discretely Presented Component Unit, General Fund, Capital Project Fund, Water Fund, and Aggregate Remaining Information***

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, discretely presented component unit, General Fund, Capital Project Fund, Water Fund, and Aggregate Remaining Information of the City of Roseau, Minnesota, as of December 31, 2022, and the 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.

#### ***Unmodified Opinions on Business-Type Activities, Sewer Fund, and Liquor Fund***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Sewer Fund, and Liquor Fund of the City of Roseau, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Qualified and Unmodified Opinions***

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

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

*Matter Giving Rise to Qualified Opinion on Governmental Activities, Discretely Presented Component Unit, General Fund, Capital Project Fund, Water Fund, and Aggregate Remaining Information*

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 and Governmental Accounting Standards Board Statement No. 87, *Leases* for the City. Accounting principles generally accepted in the United States of America require that GASB Statement Nos. 68 and 87 be adopted. The amounts by which these departures would affect the assets, liabilities, deferred outflow of resources, deferred inflows of resources, and net position, has not been determined.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming 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. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the combining statements, schedule of changes in fund balances and net position, and schedule of indebtedness are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, 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 24, 2023



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**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022.

**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 \$55,770,820 (net position). Of this amount, \$7,019,542 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 \$51,838 or 1% 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, 2022**

general fund and capital projects fund, all of which are considered major funds. Data from the other six 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 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.

**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 \$55,770,820 at the close of the most recent fiscal year.

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 978,592	\$ 1,367,817	\$ 9,032,772	\$ 8,900,895	\$ 10,011,364	\$ 10,268,712
Capital Assets	44,519,120	45,865,738	6,478,459	7,171,888	50,997,579	53,037,626
Total Assets	<u>45,497,712</u>	<u>47,233,555</u>	<u>15,511,231</u>	<u>16,072,783</u>	<u>61,008,943</u>	<u>63,306,338</u>
Deferred Outflows of Resources	<u>1,424,396</u>	<u>787,984</u>	<u>181,994</u>	<u>240,651</u>	<u>1,606,390</u>	<u>1,028,635</u>
Long-term Liabilities	2,985,533	1,373,311	3,163,790	2,897,240	6,149,323	4,270,551
Other Liabilities	157,355	101,877	495,636	604,631	652,991	706,508
Total Liabilities	<u>3,142,888</u>	<u>1,475,188</u>	<u>3,659,426</u>	<u>3,501,871</u>	<u>6,802,314</u>	<u>4,977,059</u>
Deferred Inflows of Resources	<u>31,316</u>	<u>1,063,976</u>	<u>10,883</u>	<u>296,762</u>	<u>42,199</u>	<u>1,360,738</u>
Net Position						
Net Investment in						
Capital Assets	44,098,986	45,245,671	3,990,336	4,670,283	48,089,322	49,915,954
Restricted	203,069	165,332	458,887	415,523	661,956	580,855
Unrestricted	(554,151)	71,372	7,573,693	7,428,995	7,019,542	7,500,367
Total Net Position	<u>\$ 43,747,904</u>	<u>\$ 45,482,375</u>	<u>\$ 12,022,916</u>	<u>\$ 12,514,801</u>	<u>\$ 55,770,820</u>	<u>\$ 57,997,176</u>

A portion of the City's net position (86%) 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 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,

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 360,072	\$ 365,069	\$ 7,837,128	\$ 7,719,019	\$ 8,197,200	\$ 8,084,088
Operating Grants and Contributions	1,011,840	1,405,867			1,011,840	1,405,867
Capital Grants and Contributions	97,290	271,350		287,373	97,290	558,723
General Revenues						
Taxes	1,287,532	1,245,197	768		1,288,300	1,245,197
Unrestricted State Aid	754,801	744,920			754,801	744,920
Unrestricted Investment Earnings	36,370	39,479	6,263	1,728	42,633	41,207
Sale of Capital Asset	38,839	119,762			38,839	119,762
Other General Revenue	231,472	205,588	33,224	63,999	264,696	269,587
Total Revenues	<u>3,818,216</u>	<u>4,397,232</u>	<u>7,877,383</u>	<u>8,072,119</u>	<u>11,695,599</u>	<u>12,469,351</u>
Expenses						
General Government	680,005	498,808			680,005	498,808
Public Safety	1,359,280	1,150,389			1,359,280	1,150,389
Public Works	1,640,959	1,102,392			1,640,959	1,102,392
Culture and Recreation	1,066,193	1,258,760			1,066,193	1,258,760
Economic Development	1,175,680	1,172,438			1,175,680	1,172,438
Airport	381,767	316,014			381,767	316,014
Interest on Long-term Debt	11,874	3,731			11,874	3,731
Municipal Liquor Store			1,950,094	1,880,293	1,950,094	1,880,293
Water			612,606	526,673	612,606	526,673
Electric			3,844,358	3,611,781	3,844,358	3,611,781
Sewer Service			531,956	459,424	531,956	459,424
Roseau Court Townhomes			205,822	199,967	205,822	199,967
Garbage			461,361	426,146	461,361	426,146
Total Expenses	<u>6,315,758</u>	<u>5,502,532</u>	<u>7,606,197</u>	<u>7,104,284</u>	<u>13,921,955</u>	<u>12,606,816</u>
Change in Net Position Before Transfers	(2,497,542)	(1,105,300)	271,186	967,835	(2,226,356)	(137,465)
Transfers	<u>763,071</u>	<u>482,020</u>	<u>(763,071)</u>	<u>(482,020)</u>		
Change in Net Position	(1,734,471)	(623,280)	(491,885)	485,815	(2,226,356)	(137,465)
Net Position - January 1	<u>45,482,375</u>	<u>46,105,655</u>	<u>12,514,801</u>	<u>12,028,986</u>	<u>57,997,176</u>	<u>58,134,641</u>
Net Position - December 31	<u>\$ 43,747,904</u>	<u>\$ 45,482,375</u>	<u>\$ 12,022,916</u>	<u>\$ 12,514,801</u>	<u>\$ 55,770,820</u>	<u>\$ 57,997,176</u>

**Governmental Activities.** The change in net position before transfers was a decrease of \$2,497,542. The governmental activities received \$763,071 from the business-type activities during 2022, resulting in a decrease in net position of \$1,734,471.

**Business-type Activities.** The change in net position before transfers was an increase of \$271,186. The business-type activities transferred \$763,071 to the governmental activities, resulting in a decrease in net position of \$491,885.

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**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.

	<b>Major Funds</b>			
	Fund Balance / Net Position		Increase (Decrease)	Percentage Increase (Decrease)
	12/31/2022	12/31/2021		
Governmental Funds				
General	\$ 51,838	\$ 639,171	\$ (587,333)	-92%
Capital Projects	(742,963)	(852,481)	109,518	13%
Proprietary Funds				
Municipal Liquor Store	1,518,012	1,434,045	83,967	6%
Water	2,184,327	2,407,503	(223,176)	-9%
Electric	5,362,395	5,506,363	(143,968)	-3%
Sewer Service	2,889,778	3,084,781	(195,003)	-6%
Roseau Court Townhomes	(606,493)	(600,070)	(6,423)	-1%

**General Fund Budgetary Highlights**

During the year the City did not amend the budget.

The City received revenues over the budgeted amounts of \$693,193 and expended \$908,482 over 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, 2022, amounts to \$50,997,579 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, and machinery and equipment.

	<b>Capital Assets (Net of Depreciation)</b>					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 12,613,502	\$ 12,613,502	\$ 292,613	\$ 292,613	\$ 12,906,115	\$ 12,906,115
Construction in Process		425,070				425,070
Buildings	12,319,665	12,771,582	1,895,695	1,957,241	14,215,360	14,728,823
Improvements Other Than Buildings	18,429,078	18,767,386	25,941	31,565	18,455,019	18,798,951
Plant and Equipment			4,085,671	4,665,060	4,085,671	4,665,060
Machinery and Equipment	1,156,875	1,288,198	178,539	225,409	1,335,414	1,513,607
Total	<u>\$ 44,519,120</u>	<u>\$ 45,865,738</u>	<u>\$ 6,478,459</u>	<u>\$ 7,171,888</u>	<u>\$ 50,997,579</u>	<u>\$ 53,037,626</u>

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

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Long-term Debt.** At the end of the current fiscal year, the City had \$2,908,257 in loans and other long-term obligations.

**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Loans Payable	\$ 420,134	\$ 467,623	\$ 2,488,123	\$ 2,501,605	\$ 2,908,257	\$ 2,969,228
Capital Lease		57,251				57,251
Total	\$ 420,134	\$ 524,874	\$ 2,488,123	\$ 2,501,605	\$ 2,908,257	\$ 3,026,479

Additional information on the City's long-term debt can be found in Note 8 of this report.

**Economic Factors**

Overall, the Roseau economy in 2022 was very strong with very little disruption to the area's main manufacturing employers, despite on-going supply chain problems and inflationary pressures across the economy. 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 2022. 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 to local government units has remained stable, 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 local government aid (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. LifeCare Medical Center and Altru Clinic are emerging from the pandemic slowdown and beginning to return to normal operations. Staffing continues to be a challenge for all employers.

A traditional barrier to growth in Roseau has been a lack of available housing for new residents. In 2022 the city through its EDA arm completed the construction of a new 37-unit market rate workforce housing apartment complex. The EDA is the owner of this complex and the project was financed through the issuance of \$4.2 million in revenue bonds. The complex was full in 1.5 month and turned a profit in the first month. Additionally in 2022, the city completed development of 17 lots in a new subdivision on the south side of Roseau for additional single-family housing. Eight (8) of the lots have been sold and three housing units are under construction in the development. However, 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 dramatic increase in interest in its Industrial Park with the sale of 3 lots. The EDA has only one lot remaining in the park and is investigating options to expand in the future.

Agriculture continues to provide diversification and stability for the overall local economy. The growing season in 2022 was hampered by some flooding conditions in the spring, but overall, the year was a good one for area farmers.

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

**CITY OF ROSEAU, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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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 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. In 2022 Canadian restrictions were lifted on U.S. travel into Canada easing some travel issues. However, U.S. vaccination requirements for Canadian citizens remained in place, continuing to hurt tourism and business travel from Canada. The city continues to work with its congressional delegation to fully 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.
- Inflationary pressures increasing costs of providing employee wages, pensions, and health benefits.
- Increasing costs of on-going operations as a result of unfunded State and Federal mandates and overall rising costs.
- State and Federal legislation restricting 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.

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**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**Exhibit A-1**

	Primary Government			Component Unit Economic Development Authority
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and Investments	\$ 536,667	\$ 6,884,344	\$ 7,421,011	\$ 485,230
Receivables				
Accounts (Net of Allowance)	163	540,284	540,447	4,270
Delinquent Taxes	72,000		72,000	
Special Assessments	498,200		498,200	
Notes Receivable (Net of Allowance)	342,521		342,521	850,848
Internal Balances	(831,761)	831,761		
Due From Other Governments	88,798		88,798	
Inventory		324,061	324,061	
Restricted: Funded Reserves		432,833	432,833	
Restricted: Tenant Security Deposits, Cash		19,489	19,489	
Due From Component Unit	272,004		272,004	
Capital Assets				
Land	12,613,502	292,613	12,906,115	
Construction in Process				
Buildings	18,097,500	3,109,520	21,207,020	5,965,752
Improvements Other than Buildings	29,637,182	112,475	29,749,657	
Plant and Equipment		17,712,841	17,712,841	
Machinery and Equipment	3,835,506	724,243	4,559,749	
Less: Accumulated Depreciation	(19,664,570)	(15,473,233)	(35,137,803)	(49,715)
Total Capital Assets, Net of Depreciation	<u>44,519,120</u>	<u>6,478,459</u>	<u>50,997,579</u>	<u>5,916,037</u>
<b>TOTAL ASSETS</b>	<u>45,497,712</u>	<u>15,511,231</u>	<u>61,008,943</u>	<u>7,256,385</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	<u>1,424,396</u>	<u>181,994</u>	<u>1,606,390</u>	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,424,396</u>	<u>181,994</u>	<u>1,606,390</u>	
<b>LIABILITIES</b>				
Accounts Payable	131,861	361,248	493,109	2,375
Accrued Payroll Expenses	25,494	359	25,853	
Due to Other Governments		67,367	67,367	
Consumer Deposits		52,859	52,859	37,494
Accrued Interest Payable		1,150	1,150	
Prepaid Rent		3,185	3,185	13,944
Unearned Revenue		9,468	9,468	
Noncurrent Liabilities				
Due to Primary Government				272,004
Net Pension Liability	2,363,341	593,767	2,957,108	
Due Within One Year	99,073	34,748	133,821	56,609
Due in More than One Year	<u>523,119</u>	<u>2,535,275</u>	<u>3,058,394</u>	<u>4,415,395</u>
<b>TOTAL LIABILITIES</b>	<u>3,142,888</u>	<u>3,659,426</u>	<u>6,802,314</u>	<u>4,797,821</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	<u>31,316</u>	<u>10,883</u>	<u>42,199</u>	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>31,316</u>	<u>10,883</u>	<u>42,199</u>	
<b>NET POSITION</b>				
Net Investment in Capital Assets	44,098,986	3,990,336	48,089,322	1,172,029
Restricted for:				
Funded Reserves		432,833	432,833	
MHFA - Residual Receipts		26,054	26,054	
Economic Development	203,069		203,069	
Unrestricted	<u>(554,151)</u>	<u>7,573,693</u>	<u>7,019,542</u>	<u>1,286,535</u>
<b>TOTAL NET POSITION</b>	<u>\$ 43,747,904</u>	<u>\$ 12,022,916</u>	<u>\$ 55,770,820</u>	<u>\$ 2,458,564</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Exhibit A-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Governmental Activities:</b>								
General Government	\$ 680,005	\$ 76,540	\$ 470	\$	\$ (602,995)	\$	\$ (602,995)	\$
Public Safety	1,359,280	72,256	691,049		(595,975)		(595,975)	
Public Works	1,640,959	18,186		97,290	(1,525,483)		(1,525,483)	
Culture and Recreation	1,066,193	37,603	25,000		(1,003,590)		(1,003,590)	
Economic Development	1,175,680	23,323	228,563		(923,794)		(923,794)	
Airport	381,767	132,164	66,758		(182,845)		(182,845)	
Interest on Long-term Debt	11,874				(11,874)		(11,874)	
Total Governmental Activities	<u>6,315,758</u>	<u>360,072</u>	<u>1,011,840</u>	<u>97,290</u>	<u>(4,846,556)</u>		<u>(4,846,556)</u>	
<b>Business-type Activities:</b>								
Municipal Liquor Store	1,950,094	2,233,257				283,163	283,163	
Water	612,606	408,556				(204,050)	(204,050)	
Electric	3,844,358	4,098,335				253,977	253,977	
Sewer Service	531,956	371,185				(160,771)	(160,771)	
Roseau Court Townhomes	205,822	229,207				23,385	23,385	
Garbage	461,361	496,588				35,227	35,227	
Total Business-type Activities	<u>7,606,197</u>	<u>7,837,128</u>				<u>230,931</u>	<u>230,931</u>	
Total Government	<u>\$ 13,921,955</u>	<u>\$ 8,197,200</u>	<u>\$ 1,011,840</u>	<u>\$ 97,290</u>	<u>(4,846,556)</u>	<u>230,931</u>	<u>(4,615,625)</u>	
<b>Component Unit:</b>								
Economic Development	\$ 1,399	\$ 3,665	\$	\$				2,266
Housing	669,674	165,373		586,648				82,347
Total Component Unit	<u>\$ 671,073</u>	<u>\$ 169,038</u>	<u>\$</u>	<u>\$ 586,648</u>				<u>84,613</u>
<b>General Revenues:</b>								
Property Taxes					1,172,946	768	1,173,714	
Hotel / Motel Taxes					75,872		75,872	
Franchise Fee					38,714		38,714	
Unrestricted State Aid					754,801		754,801	
Unrestricted Investment Earnings					36,370	6,263	42,633	18,666
Other General Revenue					231,472	33,224	264,696	
Sale of Capital Asset					38,839		38,839	20,520
Transfers					763,071	(763,071)		
Total General Revenues and Transfers					<u>3,112,085</u>	<u>(722,816)</u>	<u>2,389,269</u>	<u>39,186</u>
Change in Net Position					(1,734,471)	(491,885)	(2,226,356)	123,799
Net Position - January 1					<u>45,482,375</u>	<u>12,514,801</u>	<u>57,997,176</u>	<u>2,334,765</u>
Net Position - December 31					<u>\$ 43,747,904</u>	<u>\$ 12,022,916</u>	<u>\$ 55,770,820</u>	<u>\$ 2,458,564</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

**Exhibit A-3**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments	\$ 184,449	\$	\$ 352,218	\$ 536,667
Receivables				
Accounts	163			163
Tax Receivable - Delinquent	72,000			72,000
Special Assessments				
Delinquent	50,200			50,200
Noncurrent	448,000			448,000
Notes Receivable	674,521		73,000	747,521
Due From Other Funds	4,427		22,635	27,062
Due From Component Unit	272,004			272,004
Due From Other Governments		88,798		88,798
<b>TOTAL ASSETS</b>	<u>\$ 1,705,764</u>	<u>\$ 88,798</u>	<u>\$ 447,853</u>	<u>\$ 2,242,415</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 111,707	\$	\$ 20,154	\$ 131,861
Salaries Payable	25,494			25,494
Due To Other Funds		831,761	27,062	858,823
Total Liabilities	<u>137,201</u>	<u>831,761</u>	<u>47,216</u>	<u>1,016,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Delinquent Taxes	72,000			72,000
Unavailable Revenue - Notes Receivable	674,521		73,000	747,521
Unavailable Revenue - EDA Loan	272,004			272,004
Unavailable Revenue - Special Assessments	498,200			498,200
Total Deferred Inflows of Resources	<u>1,516,725</u>		<u>73,000</u>	<u>1,589,725</u>
<b>FUND BALANCES</b>				
Restricted for:				
Economic Development			203,069	203,069
Committed for:				
Economic Development			29,150	29,150
Birding Trail			5,641	5,641
Roseau P.D.			23,197	23,197
Assigned for Economic Development			66,580	66,580
Unassigned	51,838	(742,963)		(691,125)
Total Fund Balances	<u>51,838</u>	<u>(742,963)</u>	<u>327,637</u>	<u>(363,488)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,705,764</u>	<u>\$ 88,798</u>	<u>\$ 447,853</u>	<u>\$ 2,242,415</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, 2022**

**Exhibit A-4**

Total fund balances - governmental funds	\$ (363,488)
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	64,183,690
Less: accumulated depreciation	(19,664,570)
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.	1,424,396
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	(2,363,341)
Loans Payable	(420,134)
Compensated absences	(202,058)
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.	(31,316)
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>1,589,725</u>
Net position - governmental activities	<u>\$ 43,747,904</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, 2022**

**Exhibit A-5**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes	\$ 1,064,290	\$	\$ 129,750	\$ 1,194,040
Hotel / Motel Tax			75,872	75,872
Franchise Fee	38,714			38,714
Special Assessments	97,290			97,290
Licenses and Permits	49,132			49,132
Intergovernmental				
Federal	31,000		193,747	224,747
State	1,481,608		29,030	1,510,638
Charges for Services	276,776			276,776
Fines and Forfeitures	10,841			10,841
Interest on Investments	17,591			17,591
Miscellaneous	69,570	5,928	170,707	246,205
Total Revenues	<u>3,136,812</u>	<u>5,928</u>	<u>599,106</u>	<u>3,741,846</u>
<b>EXPENDITURES</b>				
Current				
General Government	564,095	563		564,658
Public Safety	1,240,931			1,240,931
Public Works	450,916			450,916
Culture and Recreation	634,695		63,751	698,446
Economic Development	629,119		434,437	1,063,556
Airport	147,526			147,526
Capital Outlay				
General Government	45,711			45,711
Public Safety			15,281	15,281
Public Works	196,606	234,999		431,605
Culture and Recreation	7,632		1,678	9,310
Economic Development	100,163		347	100,510
Airport	52,895			52,895
Debt Service				
Principal	104,740			104,740
Interest	11,874			11,874
Total Expenditures	<u>4,186,903</u>	<u>235,562</u>	<u>515,494</u>	<u>4,937,959</u>
REVENUES UNDER EXPENDITURES	<u>(1,050,091)</u>	<u>(229,634)</u>	<u>83,612</u>	<u>(1,196,113)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	763,071	303,152		1,066,223
Sale of Capital Asset	2,839	36,000		38,839
Transfer Out	<u>(303,152)</u>			<u>(303,152)</u>
Total Other Financing Sources (Uses)	<u>462,758</u>	<u>339,152</u>		<u>801,910</u>
NET CHANGE IN FUND BALANCES	(587,333)	109,518	83,612	(394,203)
FUND BALANCE, JANUARY 1	<u>639,171</u>	<u>(852,481)</u>	<u>244,025</u>	<u>30,715</u>
FUND BALANCE, DECEMBER 31	<u>\$ 51,838</u>	<u>\$ (742,963)</u>	<u>\$ 327,637</u>	<u>\$ (363,488)</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, 2022**

**Exhibit A-6**

Total net change in fund balances - governmental funds.	\$ (394,203)
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	233,825
Depreciation expense	(1,580,443)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	104,740
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(50,500)
Change in net pension liability	(1,745,662)
Change in deferred outflows and inflows of resources related to net pension liability	1,669,072
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>28,700</u>
Change in net position - governmental activities	<u>\$ (1,734,471)</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

**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	\$ 769,820	\$ 380,651	\$ 4,411,736	\$ 649,215	\$ 70,306	\$ 602,616	\$ 6,884,344
Accounts Receivable (Net of Allowance)	7,022	32,312	405,544	34,633	4,992	55,781	540,284
Due From Other Funds			831,761				831,761
Inventory	292,677		31,384				324,061
Total Current Assets	<u>1,069,519</u>	<u>412,963</u>	<u>5,680,425</u>	<u>683,848</u>	<u>75,298</u>	<u>658,397</u>	<u>8,580,450</u>
<b>NONCURRENT ASSETS</b>							
Restricted: Funded Reserves					432,833		432,833
Restricted: Tenant Security Deposits, Cash					19,489		19,489
Capital Assets							
Land	20,000	16,250	61,885	119,478	75,000		292,613
Improvements Other than Buildings					112,475		112,475
Buildings	684,697				2,424,823		3,109,520
Plant and Equipment		7,684,701	2,694,153	7,333,987			17,712,841
Machinery and Equipment	290,462				49,373	384,408	724,243
Less: accumulated depreciation	<u>(360,073)</u>	<u>(5,829,826)</u>	<u>(2,646,873)</u>	<u>(5,150,470)</u>	<u>(1,280,121)</u>	<u>(205,870)</u>	<u>(15,473,233)</u>
Total Capital Assets	<u>635,086</u>	<u>1,871,125</u>	<u>109,165</u>	<u>2,302,995</u>	<u>1,381,550</u>	<u>178,538</u>	<u>6,478,459</u>
Total Noncurrent Assets	<u>635,086</u>	<u>1,871,125</u>	<u>109,165</u>	<u>2,302,995</u>	<u>1,833,872</u>	<u>178,538</u>	<u>6,930,781</u>
Total Assets	<u>1,704,605</u>	<u>2,284,088</u>	<u>5,789,590</u>	<u>2,986,843</u>	<u>1,909,170</u>	<u>836,935</u>	<u>15,511,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Cost Sharing Defined Benefit Pension Plan	<u>46,392</u>	<u>32,117</u>	<u>19,625</u>	<u>32,117</u>		<u>51,743</u>	<u>181,994</u>
Total Deferred Outflows of Resources	<u>46,392</u>	<u>32,117</u>	<u>19,625</u>	<u>32,117</u>		<u>51,743</u>	<u>181,994</u>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA**  
**STATEMENT OF NET POSITION - Continued**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**

**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	51,776	3,622	288,188	1,878	3,846	11,938	361,248
Accrued Expenses			359				359
Due to Other Governments	21,943	952	34,641			9,831	67,367
Consumer Deposits			33,500		19,359		52,859
Interest Payable					1,150		1,150
Prepaid Rent					3,185		3,185
Unearned Revenue	1,141		8,327				9,468
Current Portion - Long Term Liabilities	1,000	5,150	4,150	5,150	14,273	5,025	34,748
Total Current Liabilities	<u>75,860</u>	<u>9,724</u>	<u>369,165</u>	<u>7,028</u>	<u>41,813</u>	<u>26,794</u>	<u>530,384</u>
<b>NONCURRENT LIABILITIES</b>							
Loans Payable					2,488,123		2,488,123
Compensated Absences	4,000	20,600	16,600	20,600		20,100	81,900
Net Pension Liability	151,351	104,783	64,034	104,783		168,816	593,767
Less: Current Portion of Long Term Liabilities	(1,000)	(5,150)	(4,150)	(5,150)	(14,273)	(5,025)	(34,748)
Total Noncurrent Liabilities	<u>154,351</u>	<u>120,233</u>	<u>76,484</u>	<u>120,233</u>	<u>2,473,850</u>	<u>183,891</u>	<u>3,129,042</u>
Total Liabilities	<u>230,211</u>	<u>129,957</u>	<u>445,649</u>	<u>127,261</u>	<u>2,515,663</u>	<u>210,685</u>	<u>3,659,426</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Cost Sharing Defined Benefit Pension Plan	2,774	1,921	1,171	1,921		3,096	10,883
Total Deferred Inflows of Resources	<u>2,774</u>	<u>1,921</u>	<u>1,171</u>	<u>1,921</u>		<u>3,096</u>	<u>10,883</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	635,086	1,871,125	109,165	2,302,995	(1,106,573)	178,538	3,990,336
Restricted for Funded Reserves					432,833		432,833
Restricted for MHFA - Residual Receipts					26,054		26,054
Unrestricted	882,926	313,202	5,253,230	586,783	41,193	496,359	7,573,693
Total Net Position	<u>\$ 1,518,012</u>	<u>\$ 2,184,327</u>	<u>\$ 5,362,395</u>	<u>\$ 2,889,778</u>	<u>\$ (606,493)</u>	<u>\$ 674,897</u>	<u>\$ 12,022,916</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, 2022**

**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	\$ 2,233,257	\$	\$	\$	\$	\$	\$ 2,233,257
Cost of Sales	1,629,876						1,629,876
Gross Profit	603,381						603,381
Charges for Services		401,091	4,087,525	369,755		496,588	5,354,959
Other Services		2,835	10,810	1,430	229,207		244,282
Total Operating Revenues	603,381	403,926	4,098,335	371,185	229,207	496,588	6,202,622
<b>OPERATING EXPENSES</b>							
Production Expense		134,694	3,075,056				3,209,750
Distribution Expense		33,120	527,135	19,398			579,653
General Expense	306,524	156,302	222,718	241,106	125,820	427,258	1,479,728
Depreciation	13,694	288,490	19,449	271,452	66,244	34,103	693,432
Total Operating Expenses	320,218	612,606	3,844,358	531,956	192,064	461,361	5,962,563
Operating Income (Loss)	283,163	(208,680)	253,977	(160,771)	37,143	35,227	240,059
<b>NONOPERATING REVENUE (EXPENSE)</b>							
Interest on Investments					6,263		6,263
Intergovernmental Revenue		4,630					4,630
Other Income	804	17,874	12,055	768		2,491	33,992
Interest Expense					(13,758)		(13,758)
Total Nonoperating Revenue (Expense)	804	22,504	12,055	768	(7,495)	2,491	31,127
Net Income (Loss) before Transfers	283,967	(186,176)	266,032	(160,003)	29,648	37,718	271,186
<b>TRANSFERS OUT</b>	(200,000)	(37,000)	(410,000)	(35,000)	(36,071)	(45,000)	(763,071)
Change in Net Position	83,967	(223,176)	(143,968)	(195,003)	(6,423)	(7,282)	(491,885)
<b>TOTAL NET POSITION, JANUARY 1</b>	1,434,045	2,407,503	5,506,363	3,084,781	(600,070)	682,179	12,514,801
<b>TOTAL NET POSITION, DECEMBER 31</b>	\$ 1,518,012	\$ 2,184,327	\$ 5,362,395	\$ 2,889,778	\$ (606,493)	\$ 674,897	\$ 12,022,916

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**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	\$ 2,234,503	\$ 406,747	\$ 4,076,958	\$ 372,714	\$ 229,205	\$ 492,528	\$ 7,812,655
Payments to Suppliers	(1,797,070)	(146,011)	(3,692,872)	(80,588)	(125,118)	(177,159)	(6,018,818)
Payments to Employees	(195,742)	(171,960)	(122,303)	(170,214)		(233,548)	(893,767)
Net Cash Provided by Operating Activities	<u>241,691</u>	<u>88,776</u>	<u>261,783</u>	<u>121,912</u>	<u>104,087</u>	<u>81,821</u>	<u>900,070</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Nonoperating Revenue	803	17,874	12,055	766		2,490	33,988
Transfers to Other Funds	(200,000)	(37,000)	(410,000)	(35,000)	(36,071)	(45,000)	(763,071)
Due From Other Funds			307,282				307,282
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(199,197)</u>	<u>(19,126)</u>	<u>(90,663)</u>	<u>(34,234)</u>	<u>(36,071)</u>	<u>(42,510)</u>	<u>(421,801)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Intergovernmental Revenue		146,002					146,002
Payment of Accounts Payable				(65,541)			(65,541)
Payment of Long-Term Debt					(13,482)		(13,482)
Interest on Long-Term Debt					(14,224)		(14,224)
Net Cash Used by Capital and Related Financing Activities		<u>146,002</u>		<u>(65,541)</u>	<u>(27,706)</u>		<u>52,755</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Tax and Insurance Escrow, Net - MN Housing					(2,610)		(2,610)
Deposits into Reserve Accounts - MN Housing					(44,383)		(44,383)
Interest Earnings					110		110
Net Cash Used by Investing Activities					<u>(46,883)</u>		<u>(46,883)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>42,494</b>	<b>215,652</b>	<b>171,120</b>	<b>22,137</b>	<b>(6,573)</b>	<b>39,311</b>	<b>484,141</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>727,326</b>	<b>164,999</b>	<b>4,240,616</b>	<b>627,078</b>	<b>96,368</b>	<b>563,305</b>	<b>6,419,692</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 769,820</b>	<b>\$ 380,651</b>	<b>\$ 4,411,736</b>	<b>\$ 649,215</b>	<b>\$ 89,795</b>	<b>\$ 602,616</b>	<b>\$ 6,903,833</b>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>							
Cash and Investments	\$ 769,820	\$ 380,651	\$ 4,411,736	\$ 649,215	\$ 70,306	\$ 602,616	\$ 6,884,344
Restricted Cash - Tenant Security Deposits					19,489		19,489
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b>\$ 769,820</b>	<b>\$ 380,651</b>	<b>\$ 4,411,736</b>	<b>\$ 649,215</b>	<b>\$ 89,795</b>	<b>\$ 602,616</b>	<b>\$ 6,903,833</b>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA**  
**STATEMENT OF CASH FLOWS - Continued**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Exhibit A-9**

	Major Funds					Nonmajor Fund	Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 283,163	\$ (208,680)	\$ 253,977	\$ (160,771)	\$ 37,143	\$ 35,227	\$ 240,059
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities							
Depreciation	13,694	288,490	19,449	271,452	66,244	34,103	693,432
Change in:							
Accounts Receivable	1,238	2,822	(10,840)	1,529	(2,924)	(4,060)	(12,235)
Inventory	(68,415)		37,405				(31,010)
Deferred Outflows	14,952	10,351	6,326	10,351		16,677	58,657
Accounts Payable	(690)	(3,723)	(36,235)		702	(646)	(40,592)
Prepaid Rent					2,731		2,731
Due to Other Governments	2,324	165	2,338			427	5,254
Other Current Liabilities			(41)		191		150
Unearned Revenue	8		(10,537)				(10,529)
Compensated Absences	(900)	1,900	1,500	1,900		4,200	8,600
Net Pension Liability	69,188	47,900	29,272	47,900		77,172	271,432
Deferred Inflows	(72,871)	(50,449)	(30,831)	(50,449)		(81,279)	(285,879)
Total Adjustments	<u>(41,472)</u>	<u>297,456</u>	<u>7,806</u>	<u>282,683</u>	<u>66,944</u>	<u>46,594</u>	<u>660,011</u>
Net Cash Provided by Operating Activities	<u>\$ 241,691</u>	<u>\$ 88,776</u>	<u>\$ 261,783</u>	<u>\$ 121,912</u>	<u>\$ 104,087</u>	<u>\$ 81,821</u>	<u>\$ 900,070</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.

**DISCRETELY PRESENTED COMPONENT UNITS – 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

**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 expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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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 *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.

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.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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**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.

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 \$448,000.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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**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.

**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, 2022, and is expected to be taken by December 31, 2023, is considered a current liability and is accrued in the December 31, 2022 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.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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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. 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.



**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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*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.

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

Deficit fund balance/net position of individual funds at December 31, 2022, is as follows:

Capital Projects Fund	\$742,963
Roseau Court Townhomes	606,493

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, 2022, 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. The City was not exposed to custodial credit risk as of December 31, 2022.

**NOTE 4. NOTES RECEIVABLE**

**Primary Government**

At December 31, 2022, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$747,521. The promissory notes have various maturity dates and interest rates. The provision for uncollectible notes on the statement of net position was \$405,000.

**Discretely Presented Component Unit – EDA**

At December 31, 2022, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$920,848. The promissory notes have various maturity dates and interest rates. The provision for uncollectible notes on the statement of net position was \$70,000.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5. CAPITAL ASSETS**

**Primary Government**

Capital assets activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,613,502	\$	\$	\$ 12,613,502
Construction In Process	425,070		425,070	
Total Capital Assets, Not Being Depreciated	<u>13,038,572</u>		<u>425,070</u>	<u>12,613,502</u>
Capital Assets, Being Depreciated:				
Buildings	18,097,500			18,097,500
Improvements Other Than Buildings	29,031,182	606,000		29,637,182
Machinery and Equipment	3,782,611	52,895		3,835,506
Total Capital Assets, Being Depreciated	<u>50,911,293</u>	<u>658,895</u>		<u>51,570,188</u>
Less: Accumulated Depreciation For:				
Buildings	5,325,918	451,917		5,777,835
Improvements Other Than Buildings	10,263,796	944,308		11,208,104
Machinery and Equipment	2,494,413	184,218		2,678,631
Total Accumulated Depreciation	<u>18,084,127</u>	<u>1,580,443</u>		<u>19,664,570</u>
Total Capital Assets, Being Depreciated, Net	<u>32,827,166</u>	<u>(921,548)</u>		<u>31,905,618</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,865,738</u>	<u>\$ (921,548)</u>	<u>\$ 425,070</u>	<u>\$ 44,519,120</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	112,475			112,475
Buildings	3,109,520			3,109,520
Plant and Equipment	17,712,841			17,712,841
Machinery and Equipment	724,243			724,243
Total Capital Assets, Being Depreciated	<u>21,659,079</u>			<u>21,659,079</u>
Less: Accumulated Depreciation For:				
Improvements Other Than Buildings	80,910	5,624		86,534
Buildings	1,152,279	61,546		1,213,825
Plant and Equipment	13,047,781	579,389		13,627,170
Machinery and Equipment	498,834	46,870		545,704
Total Accumulated Depreciation	<u>14,779,804</u>	<u>693,429</u>		<u>15,473,233</u>
Total Capital Assets, Being Depreciated, Net	<u>6,879,275</u>	<u>(693,429)</u>		<u>6,185,846</u>
Business-type Activities Capital Assets, Net	<u>\$ 7,171,888</u>	<u>\$ (693,429)</u>	<u>\$</u>	<u>\$ 6,478,459</u>

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Governmental Activities:	
General Government	\$ 56,996
Public Safety	91,486
Public Works, including depreciation of general infrastructure assets	825,248
Culture and Recreation	363,122
Economic Development	9,350
Airport	<u>234,241</u>
Total Depreciation Expenses - Governmental Activities	<u>\$ 1,580,443</u>
Business-type Activities:	
Municipal Liquor Store	\$ 13,694
Water	288,487
Electric	19,449
Sewer Service	271,452
Roseau Court Townhomes	66,244
Garbage Collections	<u>34,103</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 693,429</u>

**Discretely Presented Component Unit – EDA**

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Discretely Presented Component Unit</u></b>				
Capital Assets, Not Being Depreciated:				
Construction In Process	\$ 3,015,932	\$	\$ 3,015,932	\$
Capital Assets, Being Depreciated:				
Buildings	<u>                    </u>	<u>5,965,752</u>	<u>                    </u>	<u>5,965,752</u>
Total Capital Assets, Being Depreciated	<u>                    </u>	<u>5,965,752</u>	<u>                    </u>	<u>5,965,752</u>
Less: Accumulated Depreciation For:				
Buildings	<u>                    </u>	<u>49,715</u>	<u>                    </u>	<u>49,715</u>
Total Accumulated Depreciation	<u>                    </u>	<u>49,715</u>	<u>                    </u>	<u>49,715</u>
Total Capital Assets, Being Depreciated, Net	<u>                    </u>	<u>5,916,037</u>	<u>                    </u>	<u>5,916,037</u>
Component Unit Capital Assets, Net	<u>\$ 3,015,932</u>	<u>\$ 5,916,037</u>	<u>\$ 3,015,932</u>	<u>\$ 5,916,037</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, 2022, 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 associations 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.

*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. 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. 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. The postretirement increase is 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. 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.

**CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

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 2022, 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, 2022, were \$83,897. 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 were required to contribute 11.8 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$87,427. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2022, the City reported a liability of \$1,164,247 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 \$34,062. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0147% at the end of the measurement period and 0.0148% for the beginning of the period.

City's proportionate share of net pension liability	\$	1,164,247
State of Minnesota's proportionate share of the net pension liability associated with the City		34,062
Total	\$	1,198,309

For the year ended December 31, 2022, the City recognized pension expense of \$169,964 for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$15,193 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, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,725	\$ 12,499
Difference between projected and actual investment earnings	16,490	
Changes in actuarial assumptions	265,230	4,670
Changes in proportion	23,455	4,170
Contributions paid to PERA subsequent to the measurement date	41,949	
Total	\$ 356,849	\$ 21,339

\$41,949 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2023	\$ 118,775
2024	108,997
2025	(39,500)
2026	105,289

At December 31, 2022, the City reported a liability of \$1,792,861 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0412% at the end of the measurement period and 0.0399% for the beginning of the period.

The State of Minnesota also contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million in direct state was paid on October 1, 2021. 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 supplemental state aid will continue 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.

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 \$9 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, 2022, the City recognized pension expense of \$134,449 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized pension expense of \$5,090 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 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 supplemental state aid. The City recognized \$78,322 for the year ended December 31, 2022 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, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 108,201	\$
Difference between projected and actual investment earnings	38,440	
Changes in actuarial assumptions	1,043,584	10,620
Changes in proportion	15,602	10,240
Contributions paid to PERA subsequent to the measurement date	43,714	
Total	<u>\$ 1,249,541</u>	<u>\$ 20,860</u>

\$43,714 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, 2023.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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
2023	\$ 228,740
2024	229,046
2025	206,241
2026	368,770
2027	152,170

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

Actuarial Methods and Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

**General Employees Fund**

Changes in Actuarial Assumptions:

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



**CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate – The discount rate used to measure the total pension liability in 2022 was 6.50%. 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.

In the Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund and June 30, 2062 for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund and 5.42 percent for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

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 (5.5%)	Current (6.5%)	1% Increase (7.5%)
	_____	_____	_____
General Employees Plan	\$ 1,838,986	\$ 1,164,247	\$ 610,853
	1% Decrease (4.4%)	Current (5.4%)	1% Increase (6.4%)
	_____	_____	_____
Police and Fire Fund	\$ 2,713,266	\$ 1,792,861	\$ 1,048,769

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).

Total pension expense for all plans for the year ended December 31, 2022 was \$149,642.

CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

**NOTE 8. LONG-TERM DEBT**

**Primary Government**

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

The City has the following loans:

Governmental Activities	Interest Rates	Maturity Dates	Amount
Loans Payable	2.23%	2023/30	\$ 420,134
			<u>\$ 420,134</u>
Business-type Activities	Interest Rates	Maturity Dates	Amount
MN Housing Finance Agency	5.72%	2023/35	\$ 241,299
MN Housing Finance Agency (*)		2023	2,246,824
			<u>\$ 2,488,123</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:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 48,548	\$ 9,382	\$ 14,273	\$ 13,432
2024	49,632	8,298	15,112	12,594
2025	50,741	7,189	15,999	11,706
2026	51,874	6,056	16,939	10,767
2027	53,032	4,898	17,933	9,772
2028-2032	166,307	7,482	106,756	31,772
2033-2035			54,287	3,432
	<u>\$ 420,134</u>	<u>\$ 43,305</u>	<u>\$ 241,299</u>	<u>\$ 93,475</u>

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital Lease	\$ 57,251	\$	\$ 57,251	\$	\$
Other Long-term Obligations					
Loans Payable	467,623		47,489	420,134	48,548
Compensated Absences	230,758	83,119	111,819	202,058	50,525
Governmental Activity					
Long-term Liabilities	<u>\$ 755,632</u>	<u>\$ 83,119</u>	<u>\$ 216,559</u>	<u>\$ 622,192</u>	<u>\$ 99,073</u>
<b>Business-type Activities</b>					
Other Long-term Obligations					
Loans Payable	\$ 2,501,605	\$	\$ 13,482	\$ 2,488,123	\$ 14,273
Compensated Absences	73,300	64,208	55,608	81,900	20,475
Business-type Activity					
Long-term Liabilities	<u>\$ 2,574,905</u>	<u>\$ 64,208</u>	<u>\$ 69,090</u>	<u>\$ 2,570,023</u>	<u>\$ 34,748</u>

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

CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

**Discretely Presented Component Unit – EDA**

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2022, was as follows:

<b><u>Component Unit Activities</u></b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 1,039,664	\$ 3,160,336	\$	\$ 4,200,000	\$ 56,609
Loan Payable	272,004			272,004	
Total Component Unit Activities	<u>\$ 1,311,668</u>	<u>\$ 3,160,336</u>	<u>\$</u>	<u>\$ 4,472,004</u>	<u>\$ 56,609</u>

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

Year Ending December 31	Component Unit	
	Principal	Interest
2023	\$	\$
2024		
2025	3,298	2,256
2026	10,058	6,603
2027	10,313	6,348
2028-2032	55,614	27,645
2033-2037	63,011	20,297
2038-2042	71,390	11,918
2043-2046	58,320	2,772
	<u>\$ 272,004</u>	<u>\$ 77,839</u>

The EDA authorized issuance of \$4,200,000 in revenue bonds to finance construction of a 37 unit apartment building.

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

Year Ending December 31	Component Unit	
	Principal	Interest
2023	\$ 56,609	\$ 104,765
2024	138,290	102,007
2025	141,787	98,510
2026	145,373	94,925
2027	149,049	91,248
2028-2032	803,727	397,761
2033-2037	910,623	290,864
2038-2042	1,031,738	169,751
2043-2046	822,804	38,261
	<u>\$ 4,200,000</u>	<u>\$ 1,388,092</u>

**NOTE 9. CONDUIT DEBT (NO COMMITMENT DEBT)**

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 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, 2022, the aggregate principal amount payable of the one series issued was \$1,365,297.

**CITY OF ROSEAU, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2022, is as follows:

Due from / to other funds:

Receivable	Payable	Amount
Electric	Capital Projects	\$ 831,761
General	Nonmajor	4,427
Nonmajor	Nonmajor	22,635
		<u>\$ 858,823</u>

The amount payable is to cover cash deficits on December 31, 2022.

Interfund Transfers:

Transfer In	Transfer Out	Amount
General	Electric	\$ 410,000
General	Sewer	35,000
General	Liquor Store	200,000
General	Nonmajor	45,000
General	Water	37,000
General	Roseau Court Townhomes	36,071
Capital Projects	General	303,152
		<u>\$ 1,066,223</u>

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

**NOTE 11. DUE FROM COMPONENT UNIT TO PRIMARY GOVERNMENT**

The City loaned \$272,004 to the Economic Development Authority. The City will be repaid once the revenue bond and loan payable is repaid.

**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 2022.

**NOTE 14. SIGNIFICANT CUSTOMER**

The City has a significant customer, which represents about 16% 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. NEW PRONOUNCEMENTS**

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. 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. 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 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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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, 2022**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,070,227	\$ 1,064,290	\$ (5,937)
Franchise Fee	45,000	38,714	(6,286)
Special Assessments	50,000	97,290	47,290
Licenses and Permits	31,100	49,132	18,032
<b>Intergovernmental</b>			
Federal		31,000	31,000
State			
Local Government Aid	754,665	754,665	
Market Value Credit		136	136
Police Aid	45,000	67,202	22,202
Fire Aid	40,000	45,842	5,842
PERA Rate Increase Aid	4,820		(4,820)
Aviation Maintenance Aid	45,000	35,758	(9,242)
Other State Aid	37,500	578,005	540,505
	<u>926,985</u>	<u>1,512,608</u>	<u>585,623</u>
<b>Charges for Services</b>			
General Government	30,200	32,417	2,217
Public Safety	69,107	61,415	(7,692)
Culture and Recreation	71,500	107,488	35,988
Airport	46,500	75,456	28,956
	<u>217,307</u>	<u>276,776</u>	<u>59,469</u>
Fines and Forfeitures	15,500	10,841	(4,659)
<b>Miscellaneous</b>			
Interest on Investments	30,000	17,591	(12,409)
Contributions	2,500	470	(2,030)
Reimbursements	50,000	50,036	36
Other Receipts	5,000	19,064	14,064
	<u>87,500</u>	<u>87,161</u>	<u>(339)</u>
Total Revenues	<u>2,443,619</u>	<u>3,136,812</u>	<u>693,193</u>
<b>EXPENDITURES</b>			
<b>General Government</b>			
Mayor and Council	36,386	31,203	5,183
Finance / Administration	108,368	101,423	6,945
Independent Auditors	12,500	12,725	(225)
Elections	7,700	3,714	3,986
Assessor	16,546	16,546	
Legal Services	73,387	70,647	2,740
Planning, Zoning, Economic Development	145,866	153,882	(8,016)
Municipal Building	73,178	125,981	(52,803)
Miscellaneous	44,500	47,974	(3,474)
Capital Outlay	40,000	45,711	(5,711)
	<u>558,431</u>	<u>609,806</u>	<u>(51,375)</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, 2022**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES - Continued			
Public Safety			
Police	954,737	960,569	(5,832)
Fire	235,590	218,856	16,734
Building Inspector	41,350	53,979	(12,629)
Emergency Services	9,250	7,527	1,723
	<u>1,240,927</u>	<u>1,240,931</u>	<u>(4)</u>
Public Works			
Streets and Highways	392,765	355,592	37,173
Snow and Ice Removal	37,000	76,528	(39,528)
Street Lighting and Signals	28,000	18,796	9,204
Capital Outlay	132,000	196,606	(64,606)
	<u>589,765</u>	<u>647,522</u>	<u>(57,757)</u>
Culture and Recreation			
Library and Museum	103,008	126,273	(23,265)
Parks and Recreation	517,407	508,422	8,985
Capital Outlay - Parks and Recreation		7,632	(7,632)
	<u>620,415</u>	<u>642,327</u>	<u>(21,912)</u>
Economic Development			
Current Expenditures	52,831	629,119	(576,288)
Capital Outlay		100,163	(100,163)
	<u>52,831</u>	<u>729,282</u>	<u>(676,451)</u>
Airport			
Current Expenditures	106,368	147,526	(41,158)
Capital Outlay	51,000	52,895	(1,895)
	<u>157,368</u>	<u>200,421</u>	<u>(43,053)</u>
Debt Service			
Principal	57,252	104,740	(47,488)
Interest	1,432	11,874	(10,442)
	<u>58,684</u>	<u>116,614</u>	<u>(57,930)</u>
Total Expenditures	<u>3,278,421</u>	<u>4,186,903</u>	<u>(908,482)</u>
REVENUES UNDER EXPENDITURES	<u>(834,802)</u>	<u>(1,050,091)</u>	<u>(215,289)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,000	763,071	727,071
Sale of Capital Asset	1,000	2,839	1,839
Transfers Out	(53,200)	(303,152)	(249,952)
Total Other Financing Sources (Uses)	<u>(16,200)</u>	<u>462,758</u>	<u>478,958</u>
NET CHANGE IN FUND BALANCE	(851,002)	(587,333)	263,669
FUND BALANCE, JANUARY 1	<u>639,171</u>	<u>639,171</u>	
FUND BALANCE, DECEMBER 31	<u>\$ (211,831)</u>	<u>\$ 51,838</u>	<u>\$ 263,669</u>

See Notes to the Required Supplementary Information

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

	Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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
	2021	80,080	80,080		1,067,735	7.50
	2022	83,897	83,897		1,118,628	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
	2021	87,698	87,698		495,468	17.70
	2022	87,427	87,427		493,937	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
	2021	0.0148	632,026	19,362	651,388	1,072,465	60.74	87.00
	2022	0.0147	1,164,247	34,062	1,198,309	1,093,182	109.62	76.67
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
	2021	0.0399	307,986	13,848	321,834	483,400	66.58	93.66
	2022	0.0412	1,792,861	78,322	1,871,183	494,703	378.24	70.53

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.

See Notes to the Required Supplementary Information

**CITY OF ROSEAU, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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**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 2022.

**NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2022, expenditures exceeded appropriations by \$908,482 in the general fund.

**NOTE 3. DEFINED BENEFIT PLANS**

**PERA**

**General Employees Fund**

*2022 Changes*

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

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

*2021 Changes*

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

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

*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

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

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retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

*2019 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.

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED**  
**DECEMBER 31, 2022**

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*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.

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**

*2022 Changes*

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

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

*2021 Changes*

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

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

*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

**CITY OF ROSEAU, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED**  
**DECEMBER 31, 2022**

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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.

*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, 2022

Exhibit B-1

	Special Revenue						Total Nonmajor Governmental Funds Exhibit A-3
	Community and Economic Development	Lodging Tax	T.I.F.	EDA Building	Pine To Prairie Birding Trail	Roseau P.D.	
<b>ASSETS</b>							
Cash and Investments	\$ 69,705	\$ 111,326	\$ 97,538	\$ 44,811	\$ 5,641	\$ 23,197	\$ 352,218
Notes Receivable	73,000						73,000
Due From Other Funds				22,635			22,635
<b>TOTAL ASSETS</b>	<b>\$ 142,705</b>	<b>\$ 111,326</b>	<b>\$ 97,538</b>	<b>\$ 67,446</b>	<b>\$ 5,641</b>	<b>\$ 23,197</b>	<b>\$ 447,853</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 17,920	\$ 1,368	\$	\$ 866	\$	\$	\$ 20,154
Due To Other Funds	22,635		4,427				27,062
Total Liabilities	40,555	1,368	4,427	866			47,216
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Notes Receivable	73,000						73,000
Total Deferred Inflows of Resources	73,000						73,000
<b>Fund Balances</b>							
Restricted for							
Economic Development		109,958	93,111				203,069
Committed for							
Economic Development	29,150						29,150
Birding Trail					5,641		5,641
Public Safety						23,197	23,197
Assigned for Economic Development				66,580			66,580
Total Fund Balances	29,150	109,958	93,111	66,580	5,641	23,197	327,637
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 142,705</b>	<b>\$ 111,326</b>	<b>\$ 97,538</b>	<b>\$ 67,446</b>	<b>\$ 5,641</b>	<b>\$ 23,197</b>	<b>\$ 447,853</b>



**CITY OF ROSEAU, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022**

**Exhibit B-2**

	Special Revenue						Total Nonmajor Governmental Funds Exhibit A-5
	Community and Economic Development	Lodging Tax	T.I.F.	EDA Building	Pine To Prairie Birding Trail	Roseau P.D.	
REVENUES							
Property Taxes	\$	\$	\$ 129,750	\$	\$	\$	\$ 129,750
Hotel / Motel Tax		75,872					75,872
Intergovernmental - Federal	193,747						193,747
Intergovernmental - State	4,030	25,000					29,030
Miscellaneous							
Contributions	46,710				7,000	15,600	69,310
Rents				30,786			30,786
Miscellaneous	65,611					5,000	70,611
Total Revenues	<u>310,098</u>	<u>100,872</u>	<u>129,750</u>	<u>30,786</u>	<u>7,000</u>	<u>20,600</u>	<u>599,106</u>
EXPENDITURES							
Current							
Public Safety						15,281	15,281
Culture and Recreation	57,402				6,349		63,751
Economic Development	235,560	69,174	123,711	5,992			434,437
Capital Outlay - Economic Development							
Culture and Recreation					1,678		1,678
Economic Development				347			347
Total Expenditures	<u>292,962</u>	<u>69,174</u>	<u>123,711</u>	<u>6,339</u>	<u>8,027</u>	<u>15,281</u>	<u>515,494</u>
NET CHANGE IN FUND BALANCES	17,136	31,698	6,039	24,447	(1,027)	5,319	83,612
FUND BALANCE, JANUARY 1	<u>12,014</u>	<u>78,260</u>	<u>87,072</u>	<u>42,133</u>	<u>6,668</u>	<u>17,878</u>	<u>244,025</u>
FUND BALANCE, DECEMBER 31	<u>\$ 29,150</u>	<u>\$ 109,958</u>	<u>\$ 93,111</u>	<u>\$ 66,580</u>	<u>\$ 5,641</u>	<u>\$ 23,197</u>	<u>\$ 327,637</u>

**CITY OF ROSEAU, MINNESOTA  
 COMBINING STATEMENT OF NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS  
 DECEMBER 31, 2022**

**Exhibit B-3**

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 177,605	\$ 307,625	\$ 485,230
Accounts Receivable		4,270	4,270
Notes Receivable (Net of Allowance)	850,848		850,848
Capital Assets			
Buildings		5,965,752	5,965,752
Less: Accumulated Depreciation		(49,715)	(49,715)
Total Capital Assets		<u>5,916,037</u>	<u>5,916,037</u>
<b>TOTAL ASSETS</b>	<u>1,028,453</u>	<u>6,227,932</u>	<u>7,256,385</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable		2,375	2,375
Customer Deposits		37,494	37,494
Prepaid Rent		13,944	13,944
Long-Term Debt Due Within One Year		56,609	56,609
Total Current Liabilities		<u>110,422</u>	<u>110,422</u>
Noncurrent Liabilities			
Due to Primary Government		272,004	272,004
Loan Payable - HRA		272,004	272,004
Revenue Bond Payable		4,143,391	4,143,391
Total Noncurrent Liabilities		<u>4,687,399</u>	<u>4,687,399</u>
<b>TOTAL LIABILITIES</b>		<u>4,797,821</u>	<u>4,797,821</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets		1,172,029	1,172,029
Unrestricted	1,028,453	258,082	1,286,535
<b>TOTAL NET POSITION</b>	<u>\$ 1,028,453</u>	<u>\$ 1,430,111</u>	<u>\$ 2,458,564</u>

**CITY OF ROSEAU, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS  
 FOR THE YEAR ENDED DECEMBER 31, 2022**

**Exhibit B-4**

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Tenant Rent and Other Charges	\$ 3,665	\$ 165,373	\$ 169,038
Total Operating Revenues	<u>3,665</u>	<u>165,373</u>	<u>169,038</u>
<b>OPERATING EXPENSES</b>			
Economic Development	1,399		1,399
Housing		593,497	593,497
Depreciation		<u>49,715</u>	<u>49,715</u>
Total Operating Expenses	<u>1,399</u>	<u>643,212</u>	<u>644,611</u>
Operating Income	2,266	(477,839)	(475,573)
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest Earnings	18,557	109	18,666
Local Grant		586,648	586,648
Gain on Sale of Asset	20,520		20,520
Interest Expense		<u>(26,462)</u>	<u>(26,462)</u>
Total Nonoperating Revenue (Expense)	<u>39,077</u>	<u>560,295</u>	<u>599,372</u>
Change in Net Position	41,343	82,456	123,799
Net Position, Beginning	<u>987,110</u>	<u>1,347,655</u>	<u>2,334,765</u>
Net Position, Ending	<u>\$ 1,028,453</u>	<u>\$ 1,430,111</u>	<u>\$ 2,458,564</u>

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Sale of Capital Asset</u>	<u>Ending Balance</u>
Governmental Funds							
General	\$ 639,171	\$ 3,136,812	\$ 4,186,903	\$ 763,071	\$ 303,152	\$ 2,839	\$ 51,838
Special Revenue							
Community and Economic Development	12,014	310,098	292,962				29,150
Lodging Tax	78,260	100,872	69,174				109,958
T.I.F.	87,072	129,750	123,711				93,111
EDA Building	42,133	30,786	6,339				66,580
Pine To Prairie Birding Trail	6,668	7,000	8,027				5,641
Roseau PD	17,878	20,600	15,281				23,197
Capital Projects	(852,481)	5,928	235,562	303,152		36,000	(742,963)
Total Governmental Funds	<u>30,715</u>	<u>3,741,846</u>	<u>4,937,959</u>	<u>1,066,223</u>	<u>303,152</u>	<u>38,839</u>	<u>(363,488)</u>
Proprietary Funds							
Municipal Liquor Store	1,434,045	2,234,061	1,950,094		200,000		1,518,012
Water	2,407,503	426,430	612,606		37,000		2,184,327
Electric	5,506,363	4,110,390	3,844,358		410,000		5,362,395
Sewer Service	3,084,781	371,953	531,956		35,000		2,889,778
Roseau Court Townhomes	(600,070)	235,470	205,822		36,071		(606,493)
Garbage Collection	682,179	499,079	461,361		45,000		674,897
Total Proprietary Funds	<u>12,514,801</u>	<u>7,877,383</u>	<u>7,606,197</u>		<u>763,071</u>		<u>12,022,916</u>
Total Primary Government	<u>\$ 12,545,516</u>	<u>\$ 11,619,229</u>	<u>\$ 12,544,156</u>	<u>\$ 1,066,223</u>	<u>\$ 1,066,223</u>	<u>\$ 38,839</u>	<u>\$ 11,659,428</u>
Component Unit							
Economic Development Authority							
Economic Development	\$ 987,110	\$ 22,222	\$ 1,399	\$	\$	\$ 20,520	\$ 1,028,453
Apartments	1,347,655	725,668	643,212				1,430,111
Total Component Unit	<u>\$ 2,334,765</u>	<u>\$ 747,890</u>	<u>\$ 644,611</u>	<u>\$</u>	<u>\$</u>	<u>\$ 20,520</u>	<u>\$ 2,458,564</u>

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2022**

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Balance 12/31/2021</u>	<u>Issued 2022</u>	<u>Retired 2022</u>	<u>Balance 12/31/2022</u>	<u>Principal 2023</u>	<u>Interest 2023</u>
<b>Primary Government</b>										
Capital Lease		1/8/2018		\$ 402,646	\$ 57,251	\$	\$ 57,251	\$	\$	\$
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	254,781		13,482	241,299	14,273	13,432
Kinetic Loan	2.23%	5/3/2021	6/1/2030	525,000	467,623		47,489	420,134	48,548	9,382
Total					<u>2,969,228</u>		<u>60,971</u>	<u>2,908,257</u>	<u>62,821</u>	<u>22,814</u>
Total Indebtedness					<u>\$ 3,026,479</u>	<u>\$</u>	<u>\$ 118,222</u>	<u>\$ 2,908,257</u>	<u>\$ 62,821</u>	<u>\$ 22,814</u>
<b>Discretely Presented Component Unit</b>										
Revenue Bonds Payable	2.50%	8/11/2021	8/1/2046	\$ 4,200,000	\$ 1,039,664	\$ 3,160,336	\$	\$ 4,200,000	\$ 56,609	\$ 104,765
HRA Loan	0.25%	8/11/2021	8/1/2046	272,004	<u>272,004</u>			<u>272,004</u>		
Total Indebtedness					<u>\$ 1,311,668</u>	<u>\$ 3,160,336</u>	<u>\$</u>	<u>\$ 4,472,004</u>	<u>\$ 56,609</u>	<u>\$ 104,765</u>

## 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2022, 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 24, 2023. The governmental activities have a qualified report because the City did not adopt the provisions of GASB Statement No. 87 for the City and 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that 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 24, 2023

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roseau, Minnesota, as of and for the year ended December 31, 2022, 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 24, 2023. The governmental activities had a qualified report because the City did not adopt the provisions of GASB Statement No. 87 for the City and GASB Statement No. 68 for the Fire Relief Association.

## **Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. 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 as item 2022-001 that we consider to be a significant deficiency.



## Report on 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*.

### The City's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### 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 24, 2023

**CITY OF ROSEAU, MINNESOTA  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2022**

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**2022-001 FINDING**

Criteria

An appropriate system of internal controls requires the City 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 not allocate the resources for the preparation of the financial statements.

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 and consider preparing them in the future. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules 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.

**2022-001 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