

**CITY OF ROSEAU
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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**CITY OF ROSEAU, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2023**

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

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, 2023, 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
Electric	Unmodified
Liquor	Unmodified
Roseau Court Townhomes	Unmodified
Garbage	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, 2023, 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, Electric Fund, Roseau Court Townhomes, Garbage 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, Electric Fund, Roseau Court Townhomes, Garbage Fund and Liquor Fund of the City of Roseau, Minnesota, as of December 31, 2023, 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 was 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 25, 2024, 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 25, 2024

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023.

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 \$56,857,220 (net position). Of this amount, \$7,980,610 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 \$584,972 or 16% 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 general fund and capital projects fund, all of which are considered major funds. Data from the other six governmental

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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.

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 \$56,857,220 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 1,528,263	\$ 978,592	\$ 9,531,969	\$ 9,032,772	\$ 11,060,232	\$ 10,011,364
Capital Assets	43,051,724	44,519,120	5,730,344	6,478,459	48,782,068	50,997,579
Total Assets	<u>44,579,987</u>	<u>45,497,712</u>	<u>15,262,313</u>	<u>15,511,231</u>	<u>59,842,300</u>	<u>61,008,943</u>
Deferred Outflows of Resources	<u>1,155,738</u>	<u>1,424,396</u>	<u>105,977</u>	<u>181,994</u>	<u>1,261,715</u>	<u>1,606,390</u>
Long-term Liabilities	1,577,070	2,985,533	706,188	3,163,790	2,283,258	6,149,323
Other Liabilities	255,898	157,355	445,224	495,636	701,122	652,991
Total Liabilities	<u>1,832,968</u>	<u>3,142,888</u>	<u>1,151,412</u>	<u>3,659,426</u>	<u>2,984,380</u>	<u>6,802,314</u>
Deferred Inflows of Resources	<u>1,117,360</u>	<u>31,316</u>	<u>145,055</u>	<u>10,883</u>	<u>1,262,415</u>	<u>42,199</u>
Net Position						
Net Investment in						
Capital Assets	42,680,138	44,098,986	5,503,319	3,990,336	48,183,457	48,089,322
Restricted	168,411	203,069	524,742	458,887	693,153	661,956
Unrestricted	(63,152)	(554,151)	8,043,762	7,573,693	7,980,610	7,019,542
Total Net Position	<u>\$ 42,785,397</u>	<u>\$ 43,747,904</u>	<u>\$ 14,071,823</u>	<u>\$ 12,022,916</u>	<u>\$ 56,857,220</u>	<u>\$ 55,770,820</u>

A portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, construction in process, buildings, improvements other than buildings, machinery and equipment), less any related debt used to acquire assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 367,829	\$ 360,072	\$ 7,948,322	\$ 7,837,128	\$ 8,316,151	\$ 8,197,200
Operating Grants and Contributions	746,542	1,011,840	2,246,824		2,993,366	1,011,840
Capital Grants and Contributions	84,800	97,290			84,800	97,290
General Revenues						
Taxes	1,321,280	1,287,532		768	1,321,280	1,288,300
Unrestricted State Aid	764,823	754,801			764,823	754,801
Unrestricted Investment Earnings	106,667	36,370	21,769	6,263	128,436	42,633
Sale of Capital Asset	200,000	38,839	(75,173)		124,827	38,839
Other General Revenue	290,481	231,472	251,126	33,224	541,607	264,696
Total Revenues	3,882,422	3,818,216	10,392,868	7,877,383	14,275,290	11,695,599
Expenses						
General Government	763,873	680,005			763,873	680,005
Public Safety	1,375,169	1,359,280			1,375,169	1,359,280
Public Works	1,286,281	1,640,959			1,286,281	1,640,959
Culture and Recreation	1,123,587	1,066,193			1,123,587	1,066,193
Economic Development	666,171	1,175,680			666,171	1,175,680
Airport	413,537	381,767			413,537	381,767
Interest on Long-term Debt	9,382	11,874			9,382	11,874
Municipal Liquor Store			1,944,570	1,950,094	1,944,570	1,950,094
Water			674,929	612,606	674,929	612,606
Electric			3,565,589	3,844,358	3,565,589	3,844,358
Sewer Service			586,101	531,956	586,101	531,956
Roseau Court Townhomes			259,853	205,822	259,853	205,822
Garbage			519,848	461,361	519,848	461,361
Total Expenses	5,638,000	6,315,758	7,550,890	7,606,197	13,188,890	13,921,955
Change in Net Position Before Transfers	(1,755,578)	(2,497,542)	2,841,978	271,186	1,086,400	(2,226,356)
Transfers	793,071	763,071	(793,071)	(763,071)		
Change in Net Position	(962,507)	(1,734,471)	2,048,907	(491,885)	1,086,400	(2,226,356)
Net Position - January 1	43,747,904	45,482,375	12,022,916	12,514,801	55,770,820	57,997,176
Net Position - December 31	\$ 42,785,397	\$ 43,747,904	\$ 14,071,823	\$ 12,022,916	\$ 56,857,220	\$ 55,770,820

Governmental Activities. The change in net position before transfers was a decrease of \$1,755,578. The governmental activities received \$793,071 from the business-type activities during 2023, resulting in a decrease in net position of \$962,507.

Business-type Activities. The change in net position before transfers was an increase of \$2,841,978. The business-type activities transferred \$793,071 to the governmental activities, resulting in an increase in net position of \$2,048,907.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Financial Analysis of the Government's Funds

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

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

Major Funds

	Fund Balance / Net Position		Increase (Decrease)	Percentage Increase (Decrease)
	12/31/2023	12/31/2022		
Governmental Funds				
General	\$ 584,972	\$ 51,838	\$ 533,134	1028%
Capital Projects	(797,344)	(742,963)	(54,381)	-7%
Proprietary Funds				
Municipal Liquor Store	1,552,595	1,518,012	34,583	2%
Water	1,945,916	2,184,327	(238,411)	-11%
Electric	5,505,523	5,362,395	143,128	3%
Sewer Service	2,675,197	2,889,778	(214,581)	-7%
Roseau Court Townhomes	1,755,978	(606,493)	2,362,471	390%
Garbage	636,614	674,897	(38,283)	6%

General Fund Budgetary Highlights

During the year the City did not amend the budget.

The City received revenues over the budgeted amounts of \$262,727 and expended \$194,158 under 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, 2023, amounts to \$48,782,068 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, and machinery and equipment.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 12,713,502	\$ 12,613,502	\$ 292,613	\$ 292,613	\$ 13,006,115	\$ 12,906,115
Construction in Process			12,000		12,000	
Buildings	11,867,747	12,319,665	1,747,762	1,895,695	13,615,509	14,215,360
Improvements Other Than Buildings	17,471,304	18,429,078	20,317	25,941	17,491,621	18,455,019
Plant and Equipment			3,513,216	4,085,671	3,513,216	4,085,671
Machinery and Equipment	999,171	1,156,875	144,436	178,539	1,143,607	1,335,414
Total	\$ 43,051,724	\$ 44,519,120	\$ 5,730,344	\$ 6,478,459	\$ 48,782,068	\$ 50,997,579

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, 2023**

Long-term Debt. At the end of the current fiscal year, the City had \$598,612 in loans and other long-term obligations.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
	Loans Payable	\$ 371,586	\$ 420,134	\$ 227,026	\$ 2,488,123	\$ 598,612

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 2023 was strong with very little disruption to the area's main manufacturing employers. The City's largest employer, Polaris Industries, saw more normalized production after years of difficulty with supply chain disruptions because of COVID. Other local manufacturers, including Intercept Industries, Karl Manufacturing Solutions, Techniques, Fabtech and BB Diversified all witnessed growth and expansion in 2023. Nevertheless, workforce shortages continue to restrict the amount of growth Polaris Industries and other area businesses can reasonably achieve in this region. The City of Roseau through its Economic Development Authority continues to strategize on opportunities to market and grow our region's population, labor force and housing supply in the coming years to meet the growth projections of our local industry.

State and Federal assistance to local government units has remained stable, including the City of Roseau. While State and Federal operational aids generally do not constitute a significant portion of the City of Roseau's budget, recent one time increases in aids have allowed the city to pursue additional capital improvements that would otherwise be unaffordable. 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 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. Labor shortages have been the biggest challenge to city operations with the retirement of many senior employees, putting inflationary wage pressures on the city's overall operational expenditures.

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, the majority 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 continues to invest in facilities in Roseau and seeks to add more services. However, recent growth of smaller ancillary industries in the community has helped to diversify the employment base away from just Polaris and LifeCare. 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 2023 the city, through its EDA, initiated development of a third municipally owned apartment project, the Ten01 Apartments, a new 39-unit market rate workforce housing apartment complex. The EDA will be the owner of this new complex and would bring the total number of housing units owned by the city to 100. However, the lack of construction capacity in the region continues to be a hurdle to rapid increases in housing stock to meet demand, as well as the increasing costs of construction.

Agriculture continues to provide diversification and stability for the overall local economy. The growing season in 2023 was good in the Roseau region despite late season drought conditions, overall, the year was a good one for area farmers.

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.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

- 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 to and from Canada
- Inability to provide sufficient workforce and housing supply in the community for local employers.
- Aging workforce and inability to find employees to fill key municipal positions.
- Changing retail trends negatively impacting local retail businesses.
- Poor economic conditions resulting in increased tax delinquencies and reduced enterprise sales.
- Inflationary pressures increasing the costs of providing employee wages, pensions, and health benefits.
- Increasing costs and administrative burdens for on-going operations as a result of unfunded State and Federal mandates and overall inflation.
- Changing public perceptions regarding the use of fossil fuels for power generation, as the City of Roseau is a coal-fired power generation owner and provider.
- Increased regulations related to water supply, sanitary sewer effluent, storm water discharge, and other environmental regulations on day-to-day city operations that would dramatically increase costs of service with limited ability to recapture those costs through improved service.
- State or Federal legislation restricting or eliminating the City's ability to operate various revenue generating enterprises and the transfer of those profits to the general fund.

Requests for Information

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

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and Investments	\$ 1,081,715	\$ 7,020,070	\$ 8,101,785	\$ 674,830
Receivables				
Accounts (Net of Allowance)	123	708,195	708,318	9,069
Delinquent Taxes	72,000		72,000	
Special Assessments	500,900		500,900	
Notes Receivable (Net of Allowance)	341,687		341,687	715,175
Prepaid Expenses		1,239	1,239	1,084
Internal Balances	(863,941)	863,941		
Due From Other Governments	123,775		123,775	
Inventory		395,016	395,016	
Restricted: Funded Reserves		524,742	524,742	
Restricted: Tenant Security Deposits, Cash		18,766	18,766	
Due From Component Unit	272,004		272,004	
Capital Assets				
Land	12,713,502	292,613	13,006,115	
Construction in Process		12,000	12,000	
Buildings	18,097,500	2,963,198	21,060,698	6,065,752
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	714,551	4,550,057	
Less: Accumulated Depreciation	(21,231,966)	(16,077,334)	(37,309,300)	(200,109)
Total Capital Assets, Net of Depreciation	43,051,724	5,730,344	48,782,068	5,865,643
TOTAL ASSETS	44,579,987	15,262,313	59,842,300	7,265,801
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	1,155,738	105,977	1,261,715	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,155,738	105,977	1,261,715	
LIABILITIES				
Accounts Payable	116,857	320,405	437,262	4,522
Accrued Payroll Expenses	40	601	641	
Due to Other Governments		65,209	65,209	
Consumer Deposits		49,023	49,023	42,568
Accrued Interest Payable		1,082	1,082	8,921
Prepaid Rent		2,031	2,031	9,864
Unearned Revenue	139,001	6,873	145,874	
Noncurrent Liabilities				
Due to Primary Government				272,004
Net Pension Liability	1,027,726	399,263	1,426,989	
Due Within One Year	94,082	35,087	129,169	138,290
Due in More than One Year	455,262	271,838	727,100	4,277,881
TOTAL LIABILITIES	1,832,968	1,151,412	2,984,380	4,754,050
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	1,117,360	145,055	1,262,415	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,117,360	145,055	1,262,415	
NET POSITION				
Net Investment in Capital Assets	42,680,138	5,503,319	48,183,457	1,177,468
Restricted for:				
Funded Reserves		524,742	524,742	
Economic Development	168,411		168,411	
Unrestricted	(63,152)	8,043,762	7,980,610	1,334,283
TOTAL NET POSITION	\$ 42,785,397	\$ 14,071,823	\$ 56,857,220	\$ 2,511,751

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

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		
Governmental Activities:								
General Government	\$ 763,873	\$ 75,366	\$ 101,942	\$	\$ (586,565)	\$	\$ (586,565)	\$
Public Safety	1,375,169	67,664	283,280		(1,024,225)		(1,024,225)	
Public Works	1,286,281	18,495		84,800	(1,182,986)		(1,182,986)	
Culture and Recreation	1,123,587	32,300	21,945		(1,069,342)		(1,069,342)	
Economic Development	666,171	41,558	258,608		(366,005)		(366,005)	
Airport	413,537	132,446	80,767		(200,324)		(200,324)	
Interest on Long-term Debt	9,382				(9,382)		(9,382)	
Total Governmental Activities	5,638,000	367,829	746,542	84,800	(4,438,829)		(4,438,829)	
Business-type Activities:								
Municipal Liquor Store	1,944,570	2,198,884				254,314	254,314	
Water	674,929	459,258				(215,671)	(215,671)	
Electric	3,565,589	4,124,951				559,362	559,362	
Sewer Service	586,101	406,519				(179,582)	(179,582)	
Roseau Court Townhomes	259,853	234,754	2,246,824			2,221,725	2,221,725	
Garbage	519,848	523,956				4,108	4,108	
Total Business-type Activities	7,550,890	7,948,322	2,246,824			2,644,256	2,644,256	
Total Government	\$ 13,188,890	\$ 8,316,151	\$ 2,993,366	\$ 84,800	(4,438,829)	2,644,256	(1,794,573)	
Component Unit:								
Economic Development	\$ 1,664	\$	\$	\$				(1,664)
Housing	533,534	435,171		29,732				(68,631)
Total Component Unit	\$ 535,198	\$ 435,171	\$	\$ 29,732				(70,295)
General Revenues:								
Property Taxes					1,204,581		1,204,581	24,522
Hotel / Motel Taxes					77,137		77,137	
Franchise Fee					39,562		39,562	
Unrestricted State Aid					764,823		764,823	
Unrestricted Investment Earnings					106,667	21,769	128,436	33,960
Other General Revenue					290,481	251,126	541,607	
Sale of Capital Asset					200,000	(75,173)	124,827	65,000
Transfers					793,071	(793,071)		
Total General Revenues and Transfers					3,476,322	(595,349)	2,880,973	123,482
Change in Net Position					(962,507)	2,048,907	1,086,400	53,187
Net Position - January 1					43,747,904	12,022,916	55,770,820	2,458,564
Net Position - December 31					\$ 42,785,397	\$ 14,071,823	\$ 56,857,220	\$ 2,511,751

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

Exhibit A-3

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 782,743	\$	\$ 298,972	\$ 1,081,715
Receivables				
Accounts	123			123
Tax Receivable - Delinquent	72,000			72,000
Special Assessments				
Delinquent	40,700			40,700
Noncurrent	460,200			460,200
Notes Receivable	674,521		72,166	746,687
Due From Other Funds			22,635	22,635
Due From Component Unit	272,004			272,004
Due From Other Governments	26,044	88,798	8,933	123,775
TOTAL ASSETS	<u>\$ 2,328,335</u>	<u>\$ 88,798</u>	<u>\$ 402,706</u>	<u>\$ 2,819,839</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 84,897	\$ 22,201	\$ 9,759	\$ 116,857
Salaries Payable	40			40
Due To Other Funds		863,941	22,635	886,576
Total Liabilities	<u>84,937</u>	<u>886,142</u>	<u>32,394</u>	<u>1,003,473</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	72,000			72,000
Unavailable Revenue - Notes Receivable	674,521		72,166	746,687
Unavailable Revenue - EDA Loan	411,005			411,005
Unavailable Revenue - Special Assessments	500,900			500,900
Total Deferred Inflows of Resources	<u>1,658,426</u>		<u>72,166</u>	<u>1,730,592</u>
FUND BALANCES				
Restricted for:				
Economic Development			168,411	168,411
Committed for:				
Economic Development			16,124	16,124
Birding Trail			5,700	5,700
Roseau P.D.			15,394	15,394
Assigned for Economic Development			92,517	92,517
Unassigned	584,972	(797,344)		(212,372)
Total Fund Balances	<u>584,972</u>	<u>(797,344)</u>	<u>298,146</u>	<u>85,774</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,328,335</u>	<u>\$ 88,798</u>	<u>\$ 402,706</u>	<u>\$ 2,819,839</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, 2023**

Exhibit A-4

Total fund balances - governmental funds	\$ 85,774
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	64,283,690
Less: accumulated depreciation	(21,231,966)
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.	
	1,155,738
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	(1,027,726)
Loans Payable	(371,586)
Compensated absences	(177,758)
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.	
	(1,117,360)
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>1,591,591</u>
Net position - governmental activities	<u>\$ 42,785,397</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, 2023

Exhibit A-5

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 1,150,513	\$	\$ 122,956	\$ 1,273,469
Hotel / Motel Tax			77,137	77,137
Franchise Fee	39,562			39,562
Special Assessments	98,100			98,100
Licenses and Permits	43,985			43,985
Intergovernmental				
Federal	73,086		223,822	296,908
State	1,141,424		25,945	1,167,369
Charges for Services	275,558			275,558
Fines and Forfeitures	6,729			6,729
Interest on Investments	90,667			90,667
Miscellaneous	185,303	5,928	144,364	335,595
Total Revenues	<u>3,104,927</u>	<u>5,928</u>	<u>594,224</u>	<u>3,705,079</u>
EXPENDITURES				
Current				
General Government	698,262	35		698,297
Public Safety	1,250,673			1,250,673
Public Works	365,352			365,352
Culture and Recreation	642,419		74,585	717,004
Economic Development	65,360		521,759	587,119
Airport	114,487			114,487
Capital Outlay				
Public Safety	58,000		12,803	70,803
Public Works	27,494	60,274		87,768
Culture and Recreation	43,459		1,138	44,597
Economic Development	192,374		25	192,399
Airport	62,459			62,459
Debt Service				
Principal	48,548			48,548
Interest	9,382			9,382
Total Expenditures	<u>3,578,269</u>	<u>60,309</u>	<u>610,310</u>	<u>4,248,888</u>
REVENUES UNDER EXPENDITURES	<u>(473,342)</u>	<u>(54,381)</u>	<u>(16,086)</u>	<u>(543,809)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	806,476			806,476
Sale of Capital Asset	200,000			200,000
Transfer Out			(13,405)	(13,405)
Total Other Financing Sources (Uses)	<u>1,006,476</u>		<u>(13,405)</u>	<u>993,071</u>
NET CHANGE IN FUND BALANCES	533,134	(54,381)	(29,491)	449,262
FUND BALANCE, JANUARY 1	<u>51,838</u>	<u>(742,963)</u>	<u>327,637</u>	<u>(363,488)</u>
FUND BALANCE, DECEMBER 31	<u>\$ 584,972</u>	<u>\$ (797,344)</u>	<u>\$ 298,146</u>	<u>\$ 85,774</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, 2023**

Exhibit A-6

Total net change in fund balances - governmental funds.	\$ 449,262
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	100,000
Depreciation expense	(1,567,396)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	48,548
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,866
Change in net pension liability	1,335,615
Change in deferred outflows and inflows of resources related to net pension liability	(1,354,702)
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>24,300</u>
Change in net position - governmental activities	<u>\$ (962,507)</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
ASSETS							
CURRENT ASSETS							
Cash and Investments	\$ 758,742	\$ 429,118	\$ 4,493,261	\$ 701,337	\$ 37,204	\$ 600,408	\$ 7,020,070
Accounts Receivable (Net of Allowance)	5,402	37,209	382,447	36,770	186,195	60,172	708,195
Due From Other Funds			863,941				863,941
Prepaid Expense					1,239		1,239
Inventory	323,404		71,612				395,016
Total Current Assets	<u>1,087,548</u>	<u>466,327</u>	<u>5,811,261</u>	<u>738,107</u>	<u>224,638</u>	<u>660,580</u>	<u>8,988,461</u>
NONCURRENT ASSETS							
Restricted: Funded Reserves					524,742		524,742
Restricted: Tenant Security Deposits, Cash					18,766		18,766
Capital Assets							
Land	20,000	16,250	61,885	119,478	75,000		292,613
Construction in Process	12,000						12,000
Improvements Other than Buildings					112,475		112,475
Buildings	684,697				2,278,501		2,963,198
Plant and Equipment		7,684,701	2,694,153	7,333,987			17,712,841
Machinery and Equipment	280,770				49,373	384,408	714,551
Less: accumulated depreciation	<u>(364,075)</u>	<u>(6,117,181)</u>	<u>(2,664,762)</u>	<u>(5,417,681)</u>	<u>(1,273,662)</u>	<u>(239,973)</u>	<u>(16,077,334)</u>
Total Capital Assets	<u>633,392</u>	<u>1,583,770</u>	<u>91,276</u>	<u>2,035,784</u>	<u>1,241,687</u>	<u>144,435</u>	<u>5,730,344</u>
Total Noncurrent Assets	<u>633,392</u>	<u>1,583,770</u>	<u>91,276</u>	<u>2,035,784</u>	<u>1,785,195</u>	<u>144,435</u>	<u>6,273,852</u>
Total Assets	<u>1,720,940</u>	<u>2,050,097</u>	<u>5,902,537</u>	<u>2,773,891</u>	<u>2,009,833</u>	<u>805,015</u>	<u>15,262,313</u>
DEFERRED OUTFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	<u>27,015</u>	<u>18,702</u>	<u>11,427</u>	<u>18,702</u>		<u>30,131</u>	<u>105,977</u>
Total Deferred Outflows of Resources	<u>27,015</u>	<u>18,702</u>	<u>11,427</u>	<u>18,702</u>		<u>30,131</u>	<u>105,977</u>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION - Continued
PROPRIETARY FUNDS
DECEMBER 31, 2023**

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	28,833	5,927	264,170	1,539	4,544	15,392	320,405
Accrued Expenses			601				601
Due to Other Governments	20,319	1,099	33,410			10,381	65,209
Consumer Deposits			29,850		19,173		49,023
Interest Payable					1,082		1,082
Prepaid Rent					2,031		2,031
Unearned Revenue	1,862		5,011				6,873
Current Portion - Long Term Liabilities	1,400	4,950	4,175	4,950	15,112	4,500	35,087
Total Current Liabilities	<u>52,414</u>	<u>11,976</u>	<u>337,217</u>	<u>6,489</u>	<u>41,942</u>	<u>30,273</u>	<u>480,311</u>
NONCURRENT LIABILITIES							
Loans Payable					227,025		227,025
Compensated Absences	5,600	19,800	16,700	19,800		18,000	79,900
Net Pension Liability	101,771	70,459	43,058	70,459		113,516	399,263
Less: Current Portion of Long Term Liabilities	(1,400)	(4,950)	(4,175)	(4,950)	(15,112)	(4,500)	(35,087)
Total Noncurrent Liabilities	<u>105,971</u>	<u>85,309</u>	<u>55,583</u>	<u>85,309</u>	<u>211,913</u>	<u>127,016</u>	<u>671,101</u>
Total Liabilities	<u>158,385</u>	<u>97,285</u>	<u>392,800</u>	<u>91,798</u>	<u>253,855</u>	<u>157,289</u>	<u>1,151,412</u>
DEFERRED INFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	36,975	25,598	15,641	25,598		41,243	145,055
Total Deferred Inflows of Resources	<u>36,975</u>	<u>25,598</u>	<u>15,641</u>	<u>25,598</u>		<u>41,243</u>	<u>145,055</u>
NET POSITION							
Net Investment in Capital Assets Restricted for Funded Reserves	633,392	1,583,770	91,276	2,035,784	1,014,662	144,435	5,503,319
Unrestricted	919,203	362,146	5,414,247	639,413	524,742	492,179	524,742
Total Net Position	<u>\$ 1,552,595</u>	<u>\$ 1,945,916</u>	<u>\$ 5,505,523</u>	<u>\$ 2,675,197</u>	<u>\$ 1,755,978</u>	<u>\$ 636,614</u>	<u>\$ 14,071,823</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, 2023**

Exhibit A-8

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
OPERATING REVENUES							
Sales	\$ 2,198,884	\$	\$	\$	\$	\$	\$ 2,198,884
Cost of Sales	1,607,411						1,607,411
Gross Profit	591,473						591,473
Charges for Services		433,763	4,096,012	362,539		523,956	5,416,270
Other Services		25,495	28,939	1,678	234,754		290,866
Total Operating Revenues	591,473	459,258	4,124,951	364,217	234,754	523,956	6,298,609
OPERATING EXPENSES							
Production Expense		177,185	3,043,473				3,220,658
Distribution Expense		35,196	244,292	187,802			467,290
General Expense	323,466	175,193	259,935	257,994	181,799	485,745	1,684,132
Depreciation	13,694	287,354	17,890	267,211	64,690	34,103	684,942
Total Operating Expenses	337,160	674,928	3,565,590	713,007	246,489	519,848	6,057,022
Operating Income (Loss)	254,313	(215,670)	559,361	(348,790)	(11,735)	4,108	241,587
NONOPERATING REVENUE (EXPENSE)							
Interest on Investments					21,769		21,769
Intergovernmental Revenue				126,907			126,907
MHFA EDHC/POPR Grant					2,246,824		2,246,824
Insurance Proceeds					230,221		230,221
Other Income	270	14,259	3,767	42,302		2,609	63,207
Gain (Loss) on Disposal					(75,173)		(75,173)
Interest Expense					(13,364)		(13,364)
Total Nonoperating Revenue (Expense)	270	14,259	3,767	169,209	2,410,277	2,609	2,600,391
Net Income (Loss) before Transfers	254,583	(201,411)	563,128	(179,581)	2,398,542	6,717	2,841,978
TRANSFERS OUT	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Change in Net Position	34,583	(238,411)	143,128	(214,581)	2,362,471	(38,283)	2,048,907
TOTAL NET POSITION, JANUARY 1	1,518,012	2,184,327	5,362,395	2,889,778	(606,493)	674,897	12,022,916
TOTAL NET POSITION, DECEMBER 31	\$ 1,552,595	\$ 1,945,916	\$ 5,505,523	\$ 2,675,197	\$ 1,755,978	\$ 636,614	\$ 14,071,823

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Exhibit A-9

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 2,201,224	\$ 454,360	\$ 4,144,732	\$ 488,987	\$ 234,668	\$ 519,564	\$ 8,043,535
Payments to Suppliers	(1,769,398)	(197,833)	(3,473,577)	(258,848)	(182,340)	(193,797)	(6,075,793)
Payments to Employees	(211,173)	(185,320)	(141,215)	(185,320)		(285,583)	(1,008,611)
Net Cash Provided by Operating Activities	<u>220,653</u>	<u>71,207</u>	<u>529,940</u>	<u>44,819</u>	<u>52,328</u>	<u>40,184</u>	<u>959,131</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Nonoperating Revenue	269	14,260	3,765	42,303		2,608	63,205
Transfers to Other Funds	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Due From Other Funds			(32,180)				(32,180)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(219,731)</u>	<u>(22,740)</u>	<u>(448,415)</u>	<u>7,303</u>	<u>(36,071)</u>	<u>(42,392)</u>	<u>(762,046)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Asset	(12,000)						(12,000)
Payment of Long-Term Debt					(14,273)		(14,273)
Interest on Long-Term Debt					(13,433)		(13,433)
Net Cash Used by Capital and Related Financing Activities	<u>(12,000)</u>				<u>(27,706)</u>		<u>(39,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Tax and Insurance Escrow, Net - MN Housing					(2,719)		(2,719)
Deposits into Reserve Accounts - MN Housing					(34,598)		(34,598)
Withdrawals from Reserves - Minnesota Housing					13,923		13,923
Interest Earnings					1,018		1,018
Net Cash Used by Investing Activities					<u>(22,376)</u>		<u>(22,376)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(11,078)</u>	<u>48,467</u>	<u>81,525</u>	<u>52,122</u>	<u>(33,825)</u>	<u>(2,208)</u>	<u>135,003</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>769,820</u>	<u>380,651</u>	<u>4,411,736</u>	<u>649,215</u>	<u>89,795</u>	<u>602,616</u>	<u>6,903,833</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 758,742</u>	<u>\$ 429,118</u>	<u>\$ 4,493,261</u>	<u>\$ 701,337</u>	<u>\$ 55,970</u>	<u>\$ 600,408</u>	<u>\$ 7,038,836</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash							
Cash and Investments	\$ 758,742	\$ 429,118	\$ 4,493,261	\$ 701,337	\$ 37,204	\$ 600,408	\$ 7,020,070
Restricted Cash - Tenant Security Deposits					18,766		18,766
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 758,742</u>	<u>\$ 429,118</u>	<u>\$ 4,493,261</u>	<u>\$ 701,337</u>	<u>\$ 55,970</u>	<u>\$ 600,408</u>	<u>\$ 7,038,836</u>

cont.

See Notes to the Financial Statements

CITY OF ROSEAU, MINNESOTA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Exhibit A-9

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 254,313	\$ (215,670)	\$ 559,361	\$ (348,790)	\$ (11,735)	\$ 4,108	\$ 241,587
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities							
Depreciation	13,694	287,354	17,890	267,211	64,690	34,103	684,942
Intergovernmental Revenue				126,907			
Change in:							
Accounts Receivable	1,620	(4,897)	23,097	(2,137)	1,254	(4,391)	14,546
Prepaid Expenses					(1,239)		(1,239)
Inventory	(30,726)		(40,228)				(70,954)
Deferred Outflows	19,377	13,415	8,198	13,415		21,612	76,017
Accounts Payable	(22,943)	2,305	(24,018)	(340)	698	3,455	(40,843)
Prepaid Rent					(1,154)		(1,154)
Due to Other Governments	(1,624)	147	(1,231)			550	(2,158)
Other Current Liabilities			(3,408)		(186)		(3,594)
Unearned Revenue	721		(3,315)				(2,594)
Compensated Absences	1,600	(800)	100	(800)		(2,100)	(2,000)
Net Pension Liability	(49,580)	(34,324)	(20,976)	(34,324)		(55,300)	(194,504)
Deferred Inflows	34,201	23,677	14,470	23,677		38,147	134,172
Total Adjustments	<u>(33,660)</u>	<u>286,877</u>	<u>(29,421)</u>	<u>393,609</u>	<u>64,063</u>	<u>36,076</u>	<u>590,637</u>
Net Cash Provided by Operating Activities	<u>\$ 220,653</u>	<u>\$ 71,207</u>	<u>\$ 529,940</u>	<u>\$ 44,819</u>	<u>\$ 52,328</u>	<u>\$ 40,184</u>	<u>\$ 832,224</u>
NONCASH CAPITAL ACTIVITIES							
Acquisition of Capital Assets through Accounts Payable	\$ 12,000	\$	\$	\$	\$	\$	\$ 12,000
Decrease of Mortgages Payable due to Debt Forgiveness					2,246,824		

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, 2023

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.

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

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.

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 \$460,200.

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, 2023, and is expected to be taken by December 31, 2024, is considered a current liability and is accrued in the December 31, 2023 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, 2023**

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, 2023**

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, 2023, is as follows:

Capital Projects Fund	\$797,344
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The deficit of the Capital Projects Fund is expected to be eliminated through receipt of donations or a transfer from another fund.

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, 2023, 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, 2023.

NOTE 4. NOTES RECEIVABLE

Primary Government

At December 31, 2023, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$746,687. 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, 2023, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$785,175. 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, 2023**

NOTE 5. CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,613,502	\$ 100,000	\$ _____	\$ 12,713,502
Total Capital Assets, Not Being Depreciated	<u>12,613,502</u>	<u>100,000</u>	<u>_____</u>	<u>12,713,502</u>
Capital Assets, Being Depreciated:				
Buildings	18,097,500			18,097,500
Improvements Other Than Buildings	29,637,182			29,637,182
Machinery and Equipment	3,835,506			3,835,506
Total Capital Assets, Being Depreciated	<u>51,570,188</u>			<u>51,570,188</u>
Less: Accumulated Depreciation For:				
Buildings	5,777,835	451,918		6,229,753
Improvements Other Than Buildings	11,208,104	957,774		12,165,878
Machinery and Equipment	2,678,631	157,704		2,836,335
Total Accumulated Depreciation	<u>19,664,570</u>	<u>1,567,396</u>		<u>21,231,966</u>
Total Capital Assets, Being Depreciated, Net	<u>31,905,618</u>	<u>(1,567,396)</u>		<u>30,338,222</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,519,120</u>	<u>\$ (1,467,396)</u>	<u>\$ _____</u>	<u>\$ 43,051,724</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 292,613	\$ _____	\$ _____	\$ 292,613
Construction In Process		12,000		12,000
Total Capital Assets, Not Being Depreciated	<u>292,613</u>	<u>12,000</u>	<u>_____</u>	<u>304,613</u>
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	112,475			112,475
Buildings	3,109,520		146,322	2,963,198
Plant and Equipment	17,712,841			17,712,841
Machinery and Equipment	724,243		9,692	714,551
Total Capital Assets, Being Depreciated	<u>21,659,079</u>		<u>156,014</u>	<u>21,503,065</u>
Less: Accumulated Depreciation For:				
Improvements Other Than Buildings	86,534	5,624		92,158
Buildings	1,213,825	72,760	71,149	1,215,436
Plant and Equipment	13,627,170	572,455		14,199,625
Machinery and Equipment	545,704	34,103	9,692	570,115
Total Accumulated Depreciation	<u>15,473,233</u>	<u>684,942</u>	<u>80,841</u>	<u>16,077,334</u>
Total Capital Assets, Being Depreciated, Net	<u>6,185,846</u>	<u>(684,942)</u>	<u>75,173</u>	<u>5,425,731</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,478,459</u>	<u>\$ (672,942)</u>	<u>\$ 75,173</u>	<u>\$ 5,730,344</u>

**CITY OF ROSEAU, MINNESOTA
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DECEMBER 31, 2023**

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

Governmental Activities:	
General Government	\$ 56,996
Public Safety	72,440
Public Works, including depreciation of general infrastructure assets	831,440
Culture and Recreation	360,578
Economic Development	9,350
Airport	<u>236,592</u>
Total Depreciation Expenses - Governmental Activities	<u>\$ 1,567,396</u>
Business-type Activities:	
Municipal Liquor Store	\$ 13,694
Water	287,354
Electric	17,890
Sewer Service	267,211
Roseau Court Townhomes	64,690
Garbage Collections	<u>34,103</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 684,942</u>

Discretely Presented Component Unit – EDA

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 5,965,752	\$ 100,000	\$	\$ 6,065,752
Total Capital Assets, Being Depreciated	<u>5,965,752</u>	<u>100,000</u>	<u></u>	<u>6,065,752</u>
Less: Accumulated Depreciation For:				
Buildings	49,715	150,394		200,109
Total Accumulated Depreciation	<u>49,715</u>	<u>150,394</u>	<u></u>	<u>200,109</u>
Total Capital Assets, Being Depreciated, Net	<u>5,916,037</u>	<u>(50,394)</u>	<u></u>	<u>5,865,643</u>
Component Unit Capital Assets, Net	<u>\$ 5,916,037</u>	<u>\$ (50,394)</u>	<u>\$</u>	<u>\$ 5,865,643</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, 2023, 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
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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 2023, 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, 2023, were \$86,544. 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 2023 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, 2023, were \$80,629. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2023, the City reported a liability of \$782,866 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 \$21,602.

The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0140% at the end of the measurement period and 0.0147% for the beginning of the period.

City's proportionate share of net pension liability	\$	782,866
State of Minnesota's proportionate share of the net pension liability associated with the City		21,602
Total	\$	804,468

For the year ended December 31, 2023, the City recognized pension expense of \$128,823 for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$97 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, 2023, 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	\$ 26,019	\$ 5,701
Difference between projected and actual investment earnings		29,652
Changes in actuarial assumptions	133,941	214,578
Changes in proportion	4,564	34,492
Contributions paid to PERA subsequent to the measurement date	43,272	
Total	\$ 207,796	\$ 284,423

\$43,272 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, 2024.

CITY OF ROSEAU, MINNESOTA
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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2024	\$ 16,429
2025	(132,068)
2026	12,719
2027	(16,979)

At December 31, 2023, the City reported a liability of \$644,123 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0373% at the end of the measurement period and 0.0412% 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, 2023. 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, 2022. 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, 2023, the City recognized pension expense of \$202,157 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized pension expense of (\$1,563) 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 \$3,357 for the year ended December 31, 2023 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, 2023, 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	\$ 184,529	\$
Difference between projected and actual investment earnings		16,692
Changes in actuarial assumptions	816,756	905,999
Changes in proportion	12,319	55,301
Contributions paid to PERA subsequent to the measurement date	40,315	
Total	<u>\$ 1,053,919</u>	<u>\$ 977,992</u>

\$40,315 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, 2024.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2024	\$ 41,267
2025	18,462
2026	180,991
2027	(35,603)
2028	(169,505)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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, 2023, 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 7.0 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 7.0 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 and 1 percent for the Police and Fire Plan.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 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 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

Discount Rate – The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	City Proportionate Share of NPL		
	1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
General Employees Plan	\$ 1,384,950	\$ 782,866	\$ 287,626
Police and Fire Fund	1,278,016	644,123	122,977

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.

Total pension expense for all plans for the year ended December 31, 2023 was \$330,980.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8. LONG-TERM DEBT

Primary Government

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

The City has the following loans:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Loans Payable	2.23%	2024/30	\$ 371,586
			<u>\$ 371,586</u>
<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
MN Housing Finance Agency	5.72%	2024/35	\$ 227,026
			<u>\$ 227,026</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	54,216	3,714	18,986	8,719
2029-2033	112,091	3,768	113,024	25,503
2034-2035			29,033	982
	<u>\$ 371,586</u>	<u>\$ 33,923</u>	<u>\$ 227,026</u>	<u>\$ 80,043</u>

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 420,134	\$	\$ 48,548	\$ 371,586	\$ 49,632
Compensated Absences	202,058	47,480	71,780	177,758	44,450
Governmental Activity					
Long-term Liabilities	<u>\$ 622,192</u>	<u>\$ 47,480</u>	<u>\$ 120,328</u>	<u>\$ 549,344</u>	<u>\$ 94,082</u>
<u>Business-type Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 2,488,123	\$	\$ 2,261,097	\$ 227,026	\$ 15,112
Compensated Absences	81,900	48,779	50,779	79,900	19,975
Business-type Activity					
Long-term Liabilities	<u>\$ 2,570,023</u>	<u>\$ 48,779</u>	<u>\$ 2,311,876</u>	<u>\$ 306,926</u>	<u>\$ 35,087</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, 2023

Discretely Presented Component Unit – EDA

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2023, was as follows:

<u>Component Unit Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within</u>
Revenue Bonds Payable	\$ 4,200,000	\$	\$ 55,833	\$ 4,144,167	\$ 138,290
Loan Payable	272,004			272,004	
Total Component Unit Activities	<u>\$ 4,472,004</u>	<u>\$</u>	<u>\$ 55,833</u>	<u>\$ 4,416,171</u>	<u>\$ 138,290</u>

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

Year Ending December 31	Component Unit	
	Principal	Interest
2024	\$	\$
2025	3,298	2,256
2026	10,058	6,603
2027	10,313	6,348
2028	10,574	6,087
2029-2033	57,021	26,239
2034-2038	64,604	18,704
2039-2043	73,195	10,112
2044-2046	42,941	1,490
	<u>\$ 272,004</u>	<u>\$ 77,839</u>

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

Year Ending December 31	Component Unit	
	Principal	Interest
2024	\$ 138,290	\$ 102,007
2025	141,787	98,510
2026	145,373	94,925
2027	149,049	91,248
2028	152,818	87,479
2029-2033	824,052	377,436
2034-2038	933,652	267,836
2039-2043	1,057,829	143,660
2044-2046	601,317	20,226
	<u>\$ 4,144,167</u>	<u>\$ 1,283,327</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, 2023, the aggregate principal amount payable of the one series issued was \$1,304,489.

**CITY OF ROSEAU, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2023, is as follows:

Due from / to other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Electric	Capital Projects	\$ 863,941
Nonmajor	Nonmajor	22,635
		<u>\$ 886,576</u>

The amount payable is to cover cash deficits on December 31, 2023.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Nonmajor	\$ 13,405
General	Roseau Court Townhomes	36,071
General	Municipal Liquor Store	220,000
General	Sewer	35,000
General	Electric	420,000
General	Garbage	45,000
General	Water	37,000
		<u>\$ 806,476</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 2023.

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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- 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*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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, 2023**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Property Taxes	\$ 1,123,738	\$ 1,150,513	\$ 26,775
Franchise Fee	50,000	39,562	(10,438)
Special Assessments	50,000	98,100	48,100
Licenses and Permits	31,800	43,985	12,185
Intergovernmental			
Federal	237,500	73,086	(164,414)
State			
Local Government Aid	766,339	764,679	(1,660)
Market Value Credit		144	144
Police Aid	60,000	152,287	92,287
Fire Aid	45,000	100,921	55,921
Aviation Maintenance Aid	36,060	80,767	44,707
Other State Aid	131,456	30,072	(101,384)
Other Local Aid		12,554	12,554
	<u>1,276,355</u>	<u>1,214,510</u>	<u>(61,845)</u>
Charges for Services			
General Government	30,200	36,490	6,290
Public Safety	64,107	60,936	(3,171)
Culture and Recreation	73,000	93,833	20,833
Airport	60,000	84,299	24,299
	<u>227,307</u>	<u>275,558</u>	<u>48,251</u>
Fines and Forfeitures	10,500	6,729	(3,771)
Miscellaneous			
Interest on Investments	15,000	90,667	75,667
Contributions	2,500	16,302	13,802
Reimbursements	50,000	23,232	(26,768)
Other Receipts	5,000	145,769	140,769
	<u>72,500</u>	<u>275,970</u>	<u>203,470</u>
Total Revenues	<u>2,842,200</u>	<u>3,104,927</u>	<u>262,727</u>
EXPENDITURES			
General Government			
Mayor and Council	37,686	34,021	3,665
Finance / Administration	110,177	108,288	1,889
Independent Auditors	14,000	14,114	(114)
Assessor	17,000	16,546	454
Legal Services	79,902	73,452	6,450
Planning, Zoning, Economic Development	141,825	141,677	148
Municipal Building	99,950	93,569	6,381
Miscellaneous	50,000	216,595	(166,595)
	<u>550,540</u>	<u>698,262</u>	<u>(147,722)</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, 2023**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES - Continued			
Public Safety			
Police	1,057,961	980,273	77,688
Fire	241,573	219,794	21,779
Building Inspector	54,700	42,292	12,408
Emergency Services	9,300	8,314	986
Capital Outlay	58,000	58,000	
	<u>1,421,534</u>	<u>1,308,673</u>	<u>112,861</u>
Public Works			
Streets and Highways	424,758	309,524	115,234
Snow and Ice Removal	40,100	37,970	2,130
Street Lighting and Signals	20,000	17,858	2,142
Capital Outlay	60,000	27,494	32,506
	<u>544,858</u>	<u>392,846</u>	<u>152,012</u>
Culture and Recreation			
Library and Museum	116,553	114,495	2,058
Parks and Recreation	514,980	527,924	(12,944)
Capital Outlay - Parks and Recreation	70,500	43,459	27,041
	<u>702,033</u>	<u>685,878</u>	<u>16,155</u>
Economic Development			
Current Expenditures	39,569	65,360	(25,791)
Capital Outlay		192,374	(192,374)
	<u>39,569</u>	<u>257,734</u>	<u>(218,165)</u>
Airport			
Current Expenditures	126,293	114,487	11,806
Capital Outlay	387,600	62,459	325,141
	<u>513,893</u>	<u>176,946</u>	<u>336,947</u>
Debt Service			
Principal		48,548	(48,548)
Interest		9,382	(9,382)
		<u>57,930</u>	<u>(57,930)</u>
Total Expenditures	<u>3,772,427</u>	<u>3,578,269</u>	<u>194,158</u>
REVENUES UNDER EXPENDITURES	<u>(930,227)</u>	<u>(473,342)</u>	<u>456,885</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,000	806,476	770,476
Sale of Capital Asset	2,000	200,000	198,000
Transfers Out	(53,200)		53,200
Total Other Financing Sources (Uses)	<u>(15,200)</u>	<u>1,006,476</u>	<u>1,021,676</u>
NET CHANGE IN FUND BALANCE	(945,427)	533,134	1,478,561
FUND BALANCE, JANUARY 1	<u>51,838</u>	<u>51,838</u>	
FUND BALANCE, DECEMBER 31	<u>\$ (893,589)</u>	<u>\$ 584,972</u>	<u>\$ 1,478,561</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
	2023	86,544	86,544		1,153,917	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
	2023	80,629	80,629		455,530	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
	2023	0.0140	782,866	21,602	804,468	1,136,273	70.80	83.10
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
	2023	0.0373	644,123	25,944	670,067	474,734	141.15	86.47

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

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 2023.

NOTE 2. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

CITY OF ROSEAU, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

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.	
ASSETS							
Cash and Investments	\$ 38,759	\$ 102,246	\$ 66,643	\$ 70,230	\$ 5,700	\$ 15,394	\$ 298,972
Notes Receivable	72,166						72,166
Due From Other Funds				22,635			22,635
Due From Other Governments	8,933						8,933
TOTAL ASSETS	\$ 119,858	\$ 102,246	\$ 66,643	\$ 92,865	\$ 5,700	\$ 15,394	\$ 402,706
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 8,933	\$ 478	\$	\$ 348	\$	\$	\$ 9,759
Due To Other Funds	22,635						22,635
Total Liabilities	31,568	478		348			32,394
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Notes Receivable	72,166						72,166
Total Deferred Inflows of Resources	72,166						72,166
Fund Balances							
Restricted for							
Economic Development		101,768	66,643				168,411
Committed for							
Economic Development	16,124						16,124
Birding Trail					5,700		5,700
Public Safety						15,394	15,394
Assigned for Economic Development				92,517			92,517
Total Fund Balances	16,124	101,768	66,643	92,517	5,700	15,394	298,146
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 119,858	\$ 102,246	\$ 66,643	\$ 92,865	\$ 5,700	\$ 15,394	\$ 402,706

**CITY OF ROSEAU, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

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	\$	\$	\$ 122,956	\$	\$	\$	\$ 122,956
Hotel / Motel Tax		77,137					77,137
Intergovernmental - Federal	223,822						223,822
Intergovernmental - State	4,000	20,000			1,945		25,945
Miscellaneous							
Contributions	12,483				7,300		19,783
Rents				30,786			30,786
Miscellaneous	88,795					5,000	93,795
Total Revenues	<u>329,100</u>	<u>97,137</u>	<u>122,956</u>	<u>30,786</u>	<u>9,245</u>	<u>5,000</u>	<u>594,224</u>
EXPENDITURES							
Current							
Public Safety						12,803	12,803
Culture and Recreation	66,537				8,048		74,585
Economic Development	275,589	105,327	136,019	4,824			521,759
Capital Outlay - Economic Development							
Culture and Recreation					1,138		1,138
Economic Development				25			25
Total Expenditures	<u>342,126</u>	<u>105,327</u>	<u>136,019</u>	<u>4,849</u>	<u>9,186</u>	<u>12,803</u>	<u>610,310</u>
REVENUES OVER (UNDER) EXPENDITURES	(13,026)	(8,190)	(13,063)	25,937	59	(7,803)	(16,086)
OTHER FINANCING USES							
Transfers Out			(13,405)				(13,405)
Total Other Financing Uses			<u>(13,405)</u>				<u>(13,405)</u>
NET CHANGE IN FUND BALANCES	(13,026)	(8,190)	(26,468)	25,937	59	(7,803)	(29,491)
FUND BALANCE, JANUARY 1	<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>
FUND BALANCE, DECEMBER 31	<u>\$ 16,124</u>	<u>\$ 101,768</u>	<u>\$ 66,643</u>	<u>\$ 92,517</u>	<u>\$ 5,700</u>	<u>\$ 15,394</u>	<u>\$ 298,146</u>

**CITY OF ROSEAU, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS
 DECEMBER 31, 2023**

Exhibit B-3

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 406,340	\$ 268,490	\$ 674,830
Accounts Receivable		9,069	9,069
Notes Receivable (Net of Allowance)	715,175		715,175
Prepaid Expenses		1,084	1,084
Capital Assets			
Buildings		6,065,752	6,065,752
Less: Accumulated Depreciation		(200,109)	(200,109)
Total Capital Assets		<u>5,865,643</u>	<u>5,865,643</u>
TOTAL ASSETS	<u>1,121,515</u>	<u>6,144,286</u>	<u>7,265,801</u>
LIABILITIES			
Current Liabilities			
Accounts Payable		4,522	4,522
Customer Deposits		42,568	42,568
Prepaid Rent		9,864	9,864
Interest Payable		8,921	8,921
Long-Term Debt Due Within One Year		138,290	138,290
Total Current Liabilities		<u>204,165</u>	<u>204,165</u>
Noncurrent Liabilities			
Due to Primary Government		272,004	272,004
Loan Payable - HRA		272,004	272,004
Revenue Bond Payable		4,005,877	4,005,877
Total Noncurrent Liabilities		<u>4,549,885</u>	<u>4,549,885</u>
TOTAL LIABILITIES		<u>4,754,050</u>	<u>4,754,050</u>
NET POSITION			
Net Investment in Capital Assets		1,177,468	1,177,468
Unrestricted	1,121,515	212,768	1,334,283
TOTAL NET POSITION	<u>\$ 1,121,515</u>	<u>\$ 1,390,236</u>	<u>\$ 2,511,751</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, 2023**

Exhibit B-4

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
OPERATING REVENUES			
Tenant Rent and Other Charges	\$ _____	\$ 435,171	\$ 435,171
Total Operating Revenues	<u>_____</u>	<u>435,171</u>	<u>435,171</u>
OPERATING EXPENSES			
Economic Development	1,664		1,664
Housing		276,950	276,950
Depreciation		<u>150,394</u>	<u>150,394</u>
Total Operating Expenses	<u>1,664</u>	<u>427,344</u>	<u>429,008</u>
Operating Income (Loss)	(1,664)	7,827	6,163
NONOPERATING REVENUE (EXPENSE)			
Interest Earnings	29,726	4,234	33,960
Property Taxes		24,522	24,522
Other Income		29,732	29,732
Gain on Sale of Asset	65,000		65,000
Interest Expense		<u>(106,190)</u>	<u>(106,190)</u>
Total Nonoperating Revenue (Expense)	<u>94,726</u>	<u>(47,702)</u>	<u>47,024</u>
Change in Net Position	93,062	(39,875)	53,187
Net Position, Beginning	<u>1,028,453</u>	<u>1,430,111</u>	<u>2,458,564</u>
Net Position, Ending	<u>\$ 1,121,515</u>	<u>\$ 1,390,236</u>	<u>\$ 2,511,751</u>

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<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	\$ 51,838	\$ 3,104,927	\$ 3,578,269	\$ 806,476	\$	\$ 200,000	\$ 584,972
Special Revenue							
Community and Economic Development	29,150	329,100	342,126				16,124
Lodging Tax	109,958	97,137	105,327				101,768
T.I.F.	93,111	122,956	136,019		13,405		66,643
EDA Building	66,580	30,786	4,849				92,517
Pine To Prairie Birding Trail	5,641	9,245	9,186				5,700
Roseau PD	23,197	5,000	12,803				15,394
Capital Projects	(742,963)	5,928	60,309				(797,344)
Total Governmental Funds	<u>(363,488)</u>	<u>3,705,079</u>	<u>4,248,888</u>	<u>806,476</u>	<u>13,405</u>	<u>200,000</u>	<u>85,774</u>
Proprietary Funds							
Municipal Liquor Store	1,518,012	2,199,154	1,944,571		220,000		1,552,595
Water	2,184,327	473,517	674,928		37,000		1,945,916
Electric	5,362,395	4,128,718	3,565,590		420,000		5,505,523
Sewer Service	2,889,778	533,426	713,007		35,000		2,675,197
Roseau Court Townhomes	(606,493)	2,733,568	259,853		36,071	(75,173)	1,755,978
Garbage Collection	674,897	526,565	519,848		45,000		636,614
Total Proprietary Funds	<u>12,022,916</u>	<u>10,594,948</u>	<u>7,677,797</u>		<u>793,071</u>	<u>(75,173)</u>	<u>14,071,823</u>
Total Primary Government	<u>\$ 11,659,428</u>	<u>\$ 14,300,027</u>	<u>\$ 11,926,685</u>	<u>\$ 806,476</u>	<u>\$ 806,476</u>	<u>\$ 124,827</u>	<u>\$ 14,157,597</u>
Component Unit							
Economic Development Authority							
Economic Development	\$ 1,028,453	\$ 29,726	\$ 1,664	\$	\$	\$ 65,000	\$ 1,121,515
Apartments	1,430,111	387,469	427,344				1,390,236
Total Component Unit	<u>\$ 2,458,564</u>	<u>\$ 417,195</u>	<u>\$ 429,008</u>	<u>\$</u>	<u>\$</u>	<u>\$ 65,000</u>	<u>\$ 2,511,751</u>

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2023**

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Balance 12/31/2022</u>	<u>Issued 2023</u>	<u>Retired 2023</u>	<u>Balance 12/31/2023</u>	<u>Principal 2024</u>	<u>Interest 2024</u>
Primary Government										
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	241,299		14,273	227,026	15,112	12,594
Kinetic Loan	2.23%	5/3/2021	6/1/2030	525,000	420,134		48,548	371,586	49,632	8,297
Total					<u>2,908,257</u>		<u>2,309,645</u>	<u>598,612</u>	<u>64,744</u>	<u>20,891</u>
Total Indebtedness					\$ <u>2,908,257</u>	\$	\$ <u>2,309,645</u>	\$ <u>598,612</u>	\$ <u>64,744</u>	\$ <u>20,891</u>
Discretely Presented Component Unit										
Revenue Bonds Payable	2.50%	8/11/2021	8/1/2046	\$ 4,200,000	\$ 4,200,000	\$	\$ 56,609	\$ 4,143,391	\$ 138,290	\$ 102,007
HRA Loan	0.25%	8/11/2021	8/1/2046	272,004	<u>272,004</u>			<u>272,004</u>		
Total Indebtedness					\$ <u>4,472,004</u>	\$	\$ <u>56,609</u>	\$ <u>4,415,395</u>	\$ <u>138,290</u>	\$ <u>102,007</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, 2023, 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 25, 2024. See Independent Auditor's Report for modifications on various opinion units.

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 – bid laws, depositories of public funds and public 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 25, 2024

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, 2023, 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 25, 2024. See Independent Auditor's Report for modifications on various opinion units.

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 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 2023-001 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 25, 2024

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2023**

2023-001 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.

2023-001 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