

**CITY OF ROSEAU
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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**CITY OF ROSEAU, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2024**

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, 2024, 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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified 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.

Correction of Error

As discussed in Note 2 to the financial statements, the City corrected a previously reported error in net position/fund balances as of December 31, 2024. Our opinion is not modified with respect to this matter.

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 April 24, 2025, 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.
GRAND FORKS, NORTH DAKOTA**

April 24, 2025

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

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, 2024.

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 \$56,472,084 (net position). Of this amount, \$8,220,051 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 \$712,225 or 18% 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, 2024**

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 \$56,472,084 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023 As Restated	2024	2023	2024	2023 As Restated
	Current and Other Assets	\$ 1,486,045	\$ 1,548,808	\$ 9,715,356	\$ 9,531,969	\$ 11,201,401
Capital Assets	42,738,278	43,051,724	5,449,703	5,730,344	48,187,981	48,782,068
Total Assets	<u>44,224,323</u>	<u>44,600,532</u>	<u>15,165,059</u>	<u>15,262,313</u>	<u>59,389,382</u>	<u>59,862,845</u>
Deferred Outflows of Resources	882,257	1,155,738	49,801	105,977	932,058	1,261,715
Long-term Liabilities	1,212,129	1,577,070	566,929	706,188	1,779,058	2,283,258
Other Liabilities	262,013	255,898	481,294	445,224	743,307	701,122
Total Liabilities	<u>1,474,142</u>	<u>1,832,968</u>	<u>1,048,223</u>	<u>1,151,412</u>	<u>2,522,365</u>	<u>2,984,380</u>
Deferred Inflows of Resources	1,138,947	1,117,360	188,044	145,055	1,326,991	1,262,415
Net Position						
Net Investment in						
Capital Assets	42,416,324	42,680,138	5,237,789	5,503,319	47,654,113	48,183,457
Restricted	147,747	168,411	450,173	524,742	597,920	693,153
Unrestricted	(70,580)	(42,607)	8,290,631	8,043,762	8,220,051	8,001,155
Total Net Position	<u>\$ 42,493,491</u>	<u>\$ 42,805,942</u>	<u>\$ 13,978,593</u>	<u>\$ 14,071,823</u>	<u>\$ 56,472,084</u>	<u>\$ 56,877,765</u>

A portion of the City's net position (84%) 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

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023 As Restated	2024	2023	2024	2023 As Restated
Revenues						
Program Revenues						
Charges for Services	\$ 302,625	\$ 367,829	\$ 7,999,699	\$ 7,948,322	\$ 8,302,324	\$ 8,316,151
Operating Grants and Contributions	527,999	767,087		2,246,824	527,999	3,013,911
Capital Grants and Contributions	749,569	84,800			749,569	84,800
General Revenues						
Taxes	1,317,620	1,321,280			1,317,620	1,321,280
Unrestricted State Aid	939,006	764,823			939,006	764,823
Unrestricted Investment Earnings	160,255	106,667	30,727	21,769	190,982	128,436
Sale of Capital Asset	261,892	200,000			261,892	200,000
Other General Revenue	166,075	290,481	25,003	251,126	191,078	541,607
Total Revenues	4,425,041	3,902,967	8,055,429	10,468,041	12,480,470	14,371,008
Expenses						
General Government	649,791	763,873			649,791	763,873
Public Safety	1,354,538	1,375,169			1,354,538	1,375,169
Public Works	1,406,125	1,286,281			1,406,125	1,286,281
Culture and Recreation	1,082,046	1,123,587			1,082,046	1,123,587
Economic Development	516,389	666,171			516,389	666,171
Airport	513,376	413,537			513,376	413,537
Interest on Long-term Debt	8,298	9,382			8,298	9,382
Municipal Liquor Store			1,958,863	1,944,570	1,958,863	1,944,570
Water			598,816	674,929	598,816	674,929
Electric			3,634,692	3,565,589	3,634,692	3,565,589
Sewer Service			486,381	586,101	486,381	586,101
Roseau Court Townhomes			222,321	335,026	222,321	335,026
Garbage			454,515	519,848	454,515	519,848
Total Expenses	5,530,563	5,638,000	7,355,588	7,626,063	12,886,151	13,264,063
Change in Net Position Before Transfers	(1,105,522)	(1,735,033)	699,841	2,841,978	(405,681)	1,106,945
Transfers	793,071	793,071	(793,071)	(793,071)		
Change in Net Position	(312,451)	(941,962)	(93,230)	2,048,907	(405,681)	1,106,945
Net Position - January 1	42,805,942	43,747,904	14,071,823	12,022,916	56,877,765	55,770,820
Net Position - December 31	\$ 42,493,491	\$ 42,805,942	\$ 13,978,593	\$ 14,071,823	\$ 56,472,084	\$ 56,877,765

Governmental Activities. The change in net position before transfers was a decrease of \$1,105,522. The governmental activities received \$793,071 from the business-type activities during 2024, resulting in a decrease in net position of \$312,451.

Business-type Activities. The change in net position before transfers was an increase of \$699,841. The business-type activities transferred \$793,071 to the governmental activities, resulting in an increase in net position of \$93,230.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Financial Analysis of the Government's Funds

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

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)
	12/31/2024	12/31/2023 As Restated		
Governmental Funds				
General	\$ 712,225	\$ 605,517	\$ 106,708	18%
Capital Projects	(899,892)	(797,344)	(102,548)	-13%
Proprietary Funds				
Municipal Liquor Store	1,570,221	1,552,595	17,626	1%
Water	1,804,996	1,945,916	(140,920)	-7%
Electric	5,642,050	5,505,523	136,527	2%
Sewer Service	2,529,725	2,675,197	(145,472)	-5%
Roseau Court Townhomes	1,770,913	1,755,978	14,935	-1%
Garbage	660,688	636,614	24,074	-4%

General Fund Budgetary Highlights

During the year the City did not amend the budget.

The City received revenues under the budgeted amounts of \$431,194 and expended \$569,075 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, 2024, amounts to \$48,187,981 (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	
	2024	2023	2024	2023	2024	2023
Land	\$ 12,713,502	\$ 12,713,502	\$ 292,613	\$ 292,613	\$ 13,006,115	\$ 13,006,115
Construction in Process	616,663			12,000	616,663	12,000
Buildings	11,417,848	11,867,747	1,926,739	1,747,762	13,344,587	13,615,509
Improvements Other Than Buildings	16,691,739	17,471,304	66,694	20,317	16,758,433	17,491,621
Plant and Equipment			2,972,778	3,513,216	2,972,778	3,513,216
Machinery and Equipment	1,298,526	999,171	190,879	144,436	1,489,405	1,143,607
Total	\$ 42,738,278	\$ 43,051,724	\$ 5,449,703	\$ 5,730,344	\$ 48,187,981	\$ 48,782,068

Additional information on the City's capital assets can be found in Note 6 of this report.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Long-term Debt. At the end of the current fiscal year, the City had \$533,868 in loans and other long-term obligations.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Loans Payable	\$ 321,954	\$ 371,586	\$ 211,914	\$ 227,026	\$ 533,868	\$ 598,612

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

Economic Factors

The Roseau economy weakened in 2024 with a slowdown in the area's main manufacturing employers. Higher interest rates and softening consumer demand for recreational transportation equipment have led to lower production levels and staffing reductions. The City's largest employer, Polaris Industries, saw decreased production levels particularly for snowmobiles in 2024. Polaris-Roseau is the only facility that produces snowmobiles. Polaris has brought some outside production back in-house to keep production staff working on regular schedules in Roseau to off-set lower snowmobile production. Many other local manufacturers, including Intercept Industries, Karl Manufacturing Solutions and BB Diversified, are tied to Polaris' production levels and have also been impacted. Nevertheless, workforce and housing shortages continue to be long-term concerns for our local industry, despite a current slowdown in demand. The City of Roseau through its Economic Development Authority continues to strategize opportunities to market and grow our region's population, labor force and housing supply in the coming years to meet the growth needs of our local industry.

State and Federal assistance to local government units remained stable in 2024, including the City of Roseau. While State and Federal operational aid 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. The city is currently amid a transition from having very senior personnel to a period of increasingly newly hired personnel. This transition brings with it a challenge of adequate knowledge transfer, but also the opportunity for new ideas to take hold.

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 investments in local facilities. Polaris continues to design and manufacture new products in Roseau including its entire snowmobile line, many 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 in 2024 it acquired local clinic facilities from Altru of Grand Forks. LifeCare now operates both the hospital and clinic facilities in Roseau.

A traditional barrier to growth in Roseau has been a lack of available housing for new residents. In 2024 the city, through its EDA, proposed a third municipally owned apartment project, the Ten01 Apartments, a new 47-unit market rate workforce housing apartment complex. The EDA continues to seek funding to complete the Ten01 apartment project. The lack of development and construction capacity in the region continues to be a major 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 2024 was good in the Roseau region despite lingering 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, 2024**

- Slowing economy or changing market forces resulting in reduced hours and/or major layoffs at area employers.
- Economic or logistical changes that would deter free travel 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.
- Instability and uncertainty in the electric generation industry.
- 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 that restricts or eliminates the City's ability to operate various revenue generating enterprises or the ability to transfer those profits to general city operations.

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, 2024**

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and Investments	\$ 1,031,734	\$ 7,284,568	\$ 8,316,302	\$ 773,151
Receivables				
Accounts (Net of Allowance)	136	559,427	559,563	8,107
Delinquent Taxes	72,000		72,000	
Special Assessments	433,100		433,100	
Notes Receivable (Net of Allowance)	341,687		341,687	712,270
Prepaid Expenses	74,000	12,391	86,391	
Internal Balances	(1,025,144)	1,025,144		
Due From Other Governments	286,528		286,528	
Inventory		381,626	381,626	
Restricted: Funded Reserves		432,480	432,480	
Restricted: Tenant Security Deposits, Cash		19,720	19,720	
Due From Component Unit	272,004		272,004	
Capital Assets				
Land	12,713,502	292,613	13,006,115	
Construction in Process	616,663		616,663	
Buildings	18,097,500	3,213,876	21,311,376	6,065,752
Improvements Other than Buildings	29,818,275	162,905	29,981,180	
Plant and Equipment		17,733,479	17,733,479	
Machinery and Equipment	4,280,956	797,665	5,078,621	
Less: Accumulated Depreciation	(22,788,618)	(16,750,835)	(39,539,453)	(351,752)
Total Capital Assets, Net of Depreciation	42,738,278	5,449,703	48,187,981	5,714,000
TOTAL ASSETS	44,224,323	15,165,059	59,389,382	7,207,528
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	882,257	49,801	932,058	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	882,257	49,801	932,058	
LIABILITIES				
Accounts Payable	219,493	344,649	564,142	8,079
Accrued Payroll Expenses		791	791	
Due to Other Governments		66,617	66,617	
Consumer Deposits		54,091	54,091	40,656
Accrued Interest Payable		1,010	1,010	8,627
Prepaid Rent		1,038	1,038	10,519
Unearned Revenue	42,520	13,098	55,618	
Noncurrent Liabilities				
Due to Primary Government				272,004
Net Pension Liability	684,217	262,815	947,032	
Due Within One Year	50,741	15,999	66,740	143,942
Due in More than One Year	477,171	288,115	765,286	4,135,672
TOTAL LIABILITIES	1,474,142	1,048,223	2,522,365	4,619,499
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	1,138,947	188,044	1,326,991	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,138,947	188,044	1,326,991	
NET POSITION				
Net Investment in Capital Assets	42,416,324	5,237,789	47,654,113	1,162,382
Restricted for:				
Funded Reserves		432,480	432,480	
MFHA - Residual Receipts		17,693	17,693	
Economic Development	147,747		147,747	
Unrestricted	(70,580)	8,290,631	8,220,051	1,425,647
TOTAL NET POSITION	\$ 42,493,491	\$ 13,978,593	\$ 56,472,084	\$ 2,588,029

See Notes to the Financial Statements

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

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			
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General Government	\$ 649,791	\$ 79,397	\$ 49,704	\$	\$ (520,690)	\$	\$ (520,690)	\$
Public Safety	1,354,538	70,389	131,387		(1,152,762)		(1,152,762)	
Public Works	1,406,125	18,810		521,566	(865,749)		(865,749)	
Culture and Recreation	1,082,046	35,336	10,000		(1,036,710)		(1,036,710)	
Economic Development	516,389	6,332	152,129		(357,928)		(357,928)	
Airport	513,376	92,361	184,779	228,003	(8,233)		(8,233)	
Interest on Long-term Debt	8,298				(8,298)		(8,298)	
Total Governmental Activities	5,530,563	302,625	527,999	749,569	(3,950,370)		(3,950,370)	
Business-type Activities:								
Municipal Liquor Store	1,958,863	2,195,721				236,858	236,858	
Water	598,816	480,208				(118,608)	(118,608)	
Electric	3,634,692	4,185,028				550,336	550,336	
Sewer Service	486,381	374,585				(111,796)	(111,796)	
Roseau Court Townhomes	222,321	242,600				20,279	20,279	
Garbage	454,515	521,557				67,042	67,042	
Total Business-type Activities	7,355,588	7,999,699				644,111	644,111	
Total Government	\$ 12,886,151	\$ 8,302,324	\$ 527,999	\$ 749,569	(3,950,370)	644,111	(3,306,259)	
Component Unit:								
Economic Development	\$ 550	\$	\$	\$				(550)
Housing	474,739	458,767		13,699				(2,273)
Total Component Unit	\$ 475,289	\$ 458,767	\$	\$ 13,699				(2,823)
General Revenues:								
Property Taxes					1,209,499		1,209,499	53,768
Hotel / Motel Taxes					71,523		71,523	
Franchise Fee					36,598		36,598	
Unrestricted State Aid					939,006		939,006	
Unrestricted Investment Earnings					160,255	30,727	190,982	25,333
Other General Revenue					166,075	25,003	191,078	
Sale of Capital Asset					261,892		261,892	
Transfers					793,071	(793,071)		
Total General Revenues and Transfers					3,637,919	(737,341)	2,900,578	79,101
Change in Net Position					(312,451)	(93,230)	(405,681)	76,278
Net Position - January 1					42,785,397	14,071,823	56,857,220	2,511,751
Error Correction - See Note 2					20,545		20,545	
Net Position - January 1, as Restated					<u>42,805,942</u>	<u>14,071,823</u>	<u>56,877,765</u>	<u>2,511,751</u>
Net Position - December 31					<u>\$ 42,493,491</u>	<u>\$ 13,978,593</u>	<u>\$ 56,472,084</u>	<u>\$ 2,588,029</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

Exhibit A-3

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 738,431	\$	\$ 293,303	\$ 1,031,734
Receivables				
Accounts	136			136
Tax Receivable - Delinquent	72,000			72,000
Special Assessments				
Delinquent	40,900			40,900
Noncurrent	392,200			392,200
Notes Receivable	674,521		72,166	746,687
Prepaid Item	74,000			74,000
Due From Other Funds			22,635	22,635
Due From Component Unit	272,004			272,004
Due From Other Governments	102,932	183,596		286,528
TOTAL ASSETS	<u>\$ 2,367,124</u>	<u>\$ 183,596</u>	<u>\$ 388,104</u>	<u>\$ 2,938,824</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 160,754	\$ 58,344	\$ 395	\$ 219,493
Unearned Revenue	42,520			42,520
Due To Other Funds		1,025,144	22,635	1,047,779
Total Liabilities	<u>203,274</u>	<u>1,083,488</u>	<u>23,030</u>	<u>1,309,792</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	272,004			272,004
Unavailable Revenue - Special Assessments	433,100			433,100
Total Deferred Inflows of Resources	<u>1,451,625</u>		<u>72,166</u>	<u>1,523,791</u>
FUND BALANCES				
Nonspendable for:				
Prepaid	74,000			74,000
Restricted for:				
Economic Development			147,747	147,747
Committed for:				
Economic Development			1,431	1,431
Birding Trail			7,330	7,330
Roseau P.D.			27,772	27,772
Assigned for Economic Development			108,628	108,628
Unassigned	638,225	(899,892)		(261,667)
Total Fund Balances	<u>712,225</u>	<u>(899,892)</u>	<u>292,908</u>	<u>105,241</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,367,124</u>	<u>\$ 183,596</u>	<u>\$ 388,104</u>	<u>\$ 2,938,824</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, 2024**

Exhibit A-4

Total fund balances - governmental funds	\$ 105,241
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	65,526,896
Less: accumulated depreciation	(22,788,618)
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.	882,257
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	(684,217)
Loans Payable	(321,954)
Compensated absences	(205,958)
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.	(1,138,947)
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>1,523,791</u>
Net position - governmental activities	<u>\$ 42,493,491</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, 2024**

Exhibit A-5

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 1,162,244	\$	\$ 139,847	\$ 1,302,091
Hotel / Motel Tax			71,523	71,523
Franchise Fee	36,598			36,598
Special Assessments	75,898			75,898
Licenses and Permits	47,457			47,457
Intergovernmental				
Federal	126,575	481,721	115,995	724,291
State	1,168,597	274,750	10,000	1,453,347
Charges for Services	239,342			239,342
Fines and Forfeitures	9,494			9,494
Interest on Investments	145,255			145,255
Miscellaneous	63,006	2,738	113,676	179,420
Total Revenues	<u>3,074,466</u>	<u>759,209</u>	<u>451,041</u>	<u>4,284,716</u>
EXPENDITURES				
Current				
General Government	601,755	659		602,414
Public Safety	1,333,669			1,333,669
Public Works	446,014			446,014
Culture and Recreation	671,916		46,865	718,781
Economic Development	74,634		386,902	461,536
Airport	130,063			130,063
Capital Outlay				
General Government	27,660			27,660
Public Safety	137,015		7,622	144,637
Public Works	122,795	622,355		745,150
Culture and Recreation	178,484			178,484
Economic Development	96,718		14,890	111,608
Airport	144,068	238,743		382,811
Debt Service				
Principal	49,632			49,632
Interest	8,298			8,298
Total Expenditures	<u>4,022,721</u>	<u>861,757</u>	<u>456,279</u>	<u>5,340,757</u>
REVENUES UNDER EXPENDITURES	<u>(948,255)</u>	<u>(102,548)</u>	<u>(5,238)</u>	<u>(1,056,041)</u>
OTHER FINANCING SOURCES				
Transfers In	793,071			793,071
Sale of Capital Asset	261,892			261,892
Total Other Financing Sources	<u>1,054,963</u>			<u>1,054,963</u>
NET CHANGE IN FUND BALANCES	106,708	(102,548)	(5,238)	(1,078)
FUND BALANCE, JANUARY 1	584,972	(797,344)	298,146	85,774
ERROR CORRECTION - SEE NOTE 2	20,545			20,545
FUND BALANCE, JANUARY 1, AS RESTATED	<u>605,517</u>	<u>(797,344)</u>	<u>298,146</u>	<u>106,319</u>
FUND BALANCE, DECEMBER 31	<u>\$ 712,225</u>	<u>\$ (899,892)</u>	<u>\$ 292,908</u>	<u>\$ 105,241</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, 2024**

Exhibit A-6

Total net change in fund balances - governmental funds.	\$ (1,078)
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	1,243,207
Depreciation expense	(1,556,652)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	49,632
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(67,800)
Change in net pension liability	343,508
Change in deferred outflows and inflows of resources related to net pension liability	(295,068)
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	
Compensated absences	<u>(28,200)</u>
Change in net position - governmental activities	<u>\$ (312,451)</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024**

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
ASSETS							
CURRENT ASSETS							
Cash and Investments	\$ 734,058	\$ 563,216	\$ 4,482,402	\$ 797,556	\$ 60,488	\$ 646,848	\$ 7,284,568
Accounts Receivable (Net of Allowance)	5,843	40,757	419,329	35,109	2,943	55,446	559,427
Due From Other Funds			1,025,144				1,025,144
Prepaid Expense					12,391		12,391
Inventory	320,474		61,152				381,626
Total Current Assets	<u>1,060,375</u>	<u>603,973</u>	<u>5,988,027</u>	<u>832,665</u>	<u>75,822</u>	<u>702,294</u>	<u>9,263,156</u>
NONCURRENT ASSETS							
Restricted: Funded Reserves					432,480		432,480
Restricted: Tenant Security Deposits, Cash					19,720		19,720
Capital Assets							
Land	20,000	16,250	61,885	119,478	75,000		292,613
Improvements Other than Buildings					162,905		162,905
Buildings	684,697				2,529,179		3,213,876
Plant and Equipment		7,684,701	2,694,153	7,354,625			17,733,479
Machinery and Equipment	357,830				49,373	390,462	797,665
Less: accumulated depreciation	(380,338)	(6,402,052)	(2,675,464)	(5,683,102)	(1,335,722)	(274,157)	(16,750,835)
Total Capital Assets	<u>682,189</u>	<u>1,298,899</u>	<u>80,574</u>	<u>1,791,001</u>	<u>1,480,735</u>	<u>116,305</u>	<u>5,449,703</u>
Total Noncurrent Assets	<u>682,189</u>	<u>1,298,899</u>	<u>80,574</u>	<u>1,791,001</u>	<u>1,932,935</u>	<u>116,305</u>	<u>5,901,903</u>
Total Assets	<u>1,742,564</u>	<u>1,902,872</u>	<u>6,068,601</u>	<u>2,623,666</u>	<u>2,008,757</u>	<u>818,599</u>	<u>15,165,059</u>
DEFERRED OUTFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	12,696	8,788	5,369	8,789		14,159	49,801
Total Deferred Outflows of Resources	<u>12,696</u>	<u>8,788</u>	<u>5,369</u>	<u>8,789</u>		<u>14,159</u>	<u>49,801</u>

cont.

See Notes to the Financial Statements

CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION - Continued
PROPRIETARY FUNDS
DECEMBER 31, 2024

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	40,517	4,327	281,180	1,666	4,676	12,283	344,649
Accrued Expenses			791				791
Due to Other Governments	20,034	1,272	34,911			10,400	66,617
Consumer Deposits	85		34,800		19,206		54,091
Interest Payable					1,010		1,010
Prepaid Rent					1,038		1,038
Unearned Revenue	2,680		10,418				13,098
Current Portion - Long Term Liabilities					15,999		15,999
Total Current Liabilities	<u>63,316</u>	<u>5,599</u>	<u>362,100</u>	<u>1,666</u>	<u>41,929</u>	<u>22,683</u>	<u>497,293</u>
NONCURRENT LIABILITIES							
Loans Payable					211,914		211,914
Compensated Absences	6,800	21,500	21,200	21,500		21,200	92,200
Net Pension Liability	66,990	46,380	28,343	46,380		74,722	262,815
Less: Current Portion of Long Term Liabilities					(15,999)		(15,999)
Total Noncurrent Liabilities	<u>73,790</u>	<u>67,880</u>	<u>49,543</u>	<u>67,880</u>	<u>195,915</u>	<u>95,922</u>	<u>550,930</u>
Total Liabilities	<u>137,106</u>	<u>73,479</u>	<u>411,643</u>	<u>69,546</u>	<u>237,844</u>	<u>118,605</u>	<u>1,048,223</u>
DEFERRED INFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	47,933	33,185	20,277	33,184		53,465	188,044
Total Deferred Inflows of Resources	<u>47,933</u>	<u>33,185</u>	<u>20,277</u>	<u>33,184</u>		<u>53,465</u>	<u>188,044</u>
NET POSITION							
Net Investment in Capital Assets	682,189	1,298,899	80,574	1,791,001	1,268,821	116,305	5,237,789
Restricted for Funded Reserves					432,480		432,480
Restricted for MFHA - Residual Receipts					17,693		17,693
Unrestricted	888,032	506,097	5,561,476	738,724	51,919	544,383	8,290,631
Total Net Position	<u>\$ 1,570,221</u>	<u>\$ 1,804,996</u>	<u>\$ 5,642,050</u>	<u>\$ 2,529,725</u>	<u>\$ 1,770,913</u>	<u>\$ 660,688</u>	<u>\$ 13,978,593</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, 2024**

Exhibit A-8

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
OPERATING REVENUES							
Sales	\$ 2,195,721	\$	\$	\$	\$	\$	\$ 2,195,721
Cost of Sales	1,585,678						1,585,678
Gross Profit	610,043						610,043
Charges for Services		479,049	4,140,391	373,035		521,557	5,514,032
Other Services		1,159	44,637	1,550	242,600		289,946
Total Operating Revenues	610,043	480,208	4,185,028	374,585	242,600	521,557	6,414,021
OPERATING EXPENSES							
Production Expense		108,305	3,067,456				3,175,761
Distribution Expense		28,913	296,705				325,618
General Expense	356,923	176,726	259,829	220,960	147,739	420,331	1,582,508
Depreciation	16,263	284,871	10,702	265,421	62,060	34,184	673,501
Total Operating Expenses	373,186	598,815	3,634,692	486,381	209,799	454,515	5,757,388
Operating Income (Loss)	236,857	(118,607)	550,336	(111,796)	32,801	67,042	656,633
NONOPERATING REVENUE (EXPENSE)							
Interest on Investments					30,727		30,727
Other Income	769	14,687	6,191	1,324		2,032	25,003
Interest Expense					(12,522)		(12,522)
Total Nonoperating Revenue (Expense)	769	14,687	6,191	1,324	18,205	2,032	43,208
Net Income (Loss) before Transfers	237,626	(103,920)	556,527	(110,472)	51,006	69,074	699,841
TRANSFERS OUT	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Change in Net Position	17,626	(140,920)	136,527	(145,472)	14,935	24,074	(93,230)
TOTAL NET POSITION, JANUARY 1	1,552,595	1,945,916	5,505,523	2,675,197	1,755,978	636,614	14,071,823
TOTAL NET POSITION, DECEMBER 31	\$ 1,570,221	\$ 1,804,996	\$ 5,642,050	\$ 2,529,725	\$ 1,770,913	\$ 660,688	\$ 13,978,593

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

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	\$ 2,196,097	\$ 476,661	\$ 4,153,553	\$ 376,246	\$ 242,435	\$ 526,282	\$ 7,971,274
Payments to Suppliers	(1,704,176)	(149,820)	(3,457,237)	(60,852)	(158,759)	(194,996)	(5,725,840)
Payments to Employees	(232,312)	(170,430)	(132,163)	(164,860)		(235,824)	(935,589)
Net Cash Provided by Operating Activities	<u>259,609</u>	<u>156,411</u>	<u>564,153</u>	<u>150,534</u>	<u>83,676</u>	<u>95,462</u>	<u>1,309,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Nonoperating Revenue	767	14,687	6,191	1,323		2,033	25,001
Transfers to Other Funds	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Due From Other Funds			(161,203)				(161,203)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(219,233)</u>	<u>(22,313)</u>	<u>(575,012)</u>	<u>(33,677)</u>	<u>(36,071)</u>	<u>(42,967)</u>	<u>(929,273)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Asset	(65,060)			(20,638)	(301,108)	(6,055)	(392,861)
Payment of Long-Term Debt					(15,112)		(15,112)
Interest on Long-Term Debt					(12,594)		(12,594)
Net Cash Used by Capital and Related Financing Activities	<u>(65,060)</u>			<u>(20,638)</u>	<u>(328,814)</u>	<u>(6,055)</u>	<u>(420,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Tax and Insurance Escrow, Net - MN Housing					17,129		17,129
Deposits into Reserve Accounts - MN Housing					(8,544)		(8,544)
Withdrawals from Reserves - Minnesota Housing					296,018		296,018
Interest Earnings					844		844
Net Cash Provided by Investing Activities					<u>305,447</u>		<u>305,447</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,684)	134,098	(10,859)	96,219	24,238	46,440	265,452
CASH AND CASH EQUIVALENTS, JANUARY 1	<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>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 734,058</u>	<u>\$ 563,216</u>	<u>\$ 4,482,402</u>	<u>\$ 797,556</u>	<u>\$ 80,208</u>	<u>\$ 646,848</u>	<u>\$ 7,304,288</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash							
Cash and Investments	\$ 734,058	\$ 563,216	\$ 4,482,402	\$ 797,556	\$ 60,488	\$ 646,848	\$ 7,284,568
Restricted Cash - Tenant Security Deposits					19,720		19,720
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 734,058</u>	<u>\$ 563,216</u>	<u>\$ 4,482,402</u>	<u>\$ 797,556</u>	<u>\$ 80,208</u>	<u>\$ 646,848</u>	<u>\$ 7,304,288</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, 2024**

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)	\$ 236,857	\$ (118,607)	\$ 550,336	\$ (111,796)	\$ 32,801	\$ 67,042	\$ 656,633
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities							
Depreciation	16,263	284,871	10,702	265,421	62,060	34,184	673,501
Change in:							
Accounts Receivable	(441)	(3,548)	(36,882)	1,661	795	4,726	(33,689)
Prepaid Expenses					(11,152)		(11,152)
Inventory	2,930		10,460				13,390
Deferred Outflows	14,319	9,914	6,058	9,913		15,972	56,176
Accounts Payable	11,685	(1,600)	17,010	128	132	(3,109)	24,246
Prepaid Rent					(993)		(993)
Due to Other Governments	(284)	173	1,501			19	1,409
Other Current Liabilities	85		5,140		33		5,258
Unearned Revenue	818		5,407				6,225
Compensated Absences	1,200	1,700	4,500	1,700		3,200	12,300
Net Pension Liability	(34,781)	(24,079)	(14,715)	(24,079)		(38,794)	(136,448)
Deferred Inflows	10,958	7,587	4,636	7,586		12,222	42,989
Total Adjustments	<u>22,752</u>	<u>275,018</u>	<u>13,817</u>	<u>262,330</u>	<u>50,875</u>	<u>28,420</u>	<u>653,212</u>
Net Cash Provided by Operating Activities	<u>\$ 259,609</u>	<u>\$ 156,411</u>	<u>\$ 564,153</u>	<u>\$ 150,534</u>	<u>\$ 83,676</u>	<u>\$ 95,462</u>	<u>\$ 1,309,845</u>

See Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

DISCRETELY PRESENTED COMPONENT UNITS – Economic Development Authority

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are 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,

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

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.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

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 \$392,200.

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, 2024,

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

and is expected to be taken by December 31, 2025, is considered a current liability and is accrued in the December 31, 2024 financial statements. Unused vacation leave can be accrued up to twice the employees annual earned vacation amount and can be carried over to the succeeding year, however once the maximum is reached, no vacation time will accrue until vacation time is used. No more than the maximum can ever be accrued.

Compensatory time is earned by full-time City employees working hours in excess of their regularly scheduled shift or a forty-hour week. Compensatory time is accrued as a current liability as it is to be used within one year. All full-time City employees earn sick leave at the rate of one day per month to a maximum of 120 days.

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

The City accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

N. Unearned Revenue

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

O. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

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

P. Pensions

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

Q. Deferred Outflows/Inflows of Resources

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

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

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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

R. Fund Equity

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

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

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

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

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

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

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

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

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

S. Net Position

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

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 2. CORRECTION OF AN ERROR

During fiscal year 2024, the City determined that revenue and receivable balances in the prior year were understated by \$20,545 for the fiscal year ended December 31, 2023.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Governmental Activities	General Fund
Fund Balances - Beginning, as perviously reported	\$ 42,785,397	\$ 584,972
Error Correction	20,545	20,545
Fund Balances - Beginning, as restated	<u>\$ 42,805,942</u>	<u>\$ 605,517</u>

NOTE 3. DEFICIT FUND BALANCE/NET POSITION

Deficit fund balance/net position of individual funds at December 31, 2024, is as follows:

Capital Projects Fund	\$899,892
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The deficit of the Capital Projects Fund is expected to be eliminated through a transfer from another fund once the project is complete.

NOTE 4. 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, 2024, the City held no investments.

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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, 2024.

NOTE 5. NOTES RECEIVABLE

Primary Government

At December 31, 2024, 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, 2024, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$782,270. The promissory notes have various maturity dates and interest rates. The provision for uncollectible notes on the statement of net position was \$70,000.

NOTE 6. CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,713,502	\$	\$	\$ 12,713,502
Construction In Process		616,663		616,663
Total Capital Assets, Not Being Depreciated	<u>12,713,502</u>	<u>616,663</u>		<u>13,330,165</u>
Capital Assets, Being Depreciated:				
Buildings	18,097,500			18,097,500
Improvements Other Than Buildings	29,637,182	181,093		29,818,275
Machinery and Equipment	3,835,506	445,450		4,280,956
Total Capital Assets, Being Depreciated	<u>51,570,188</u>	<u>626,543</u>		<u>52,196,731</u>
Less: Accumulated Depreciation For:				
Buildings	6,229,753	449,899		6,679,652
Improvements Other Than Buildings	12,165,878	960,658		13,126,536
Machinery and Equipment	2,836,335	146,095		2,982,430
Total Accumulated Depreciation	<u>21,231,966</u>	<u>1,556,652</u>		<u>22,788,618</u>
Total Capital Assets, Being Depreciated, Net	<u>30,338,222</u>	<u>(930,109)</u>		<u>29,408,113</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,051,724</u>	<u>\$ (313,446)</u>	<u>\$</u>	<u>\$ 42,738,278</u>

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 292,613	\$	\$	\$ 292,613
Construction In Process	12,000		12,000	
Total Capital Assets, Not Being Depreciated	<u>304,613</u>		<u>12,000</u>	<u>292,613</u>
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	112,475	50,430		162,905
Buildings	2,963,198	250,678		3,213,876
Plant and Equipment	17,712,841	20,638		17,733,479
Machinery and Equipment	714,551	83,114		797,665
Total Capital Assets, Being Depreciated	<u>21,503,065</u>	<u>404,860</u>		<u>21,907,925</u>
Less: Accumulated Depreciation For:				
Improvements Other Than Buildings	92,158	4,053		96,211
Buildings	1,215,436	71,701		1,287,137
Plant and Equipment	14,199,625	561,076		14,760,701
Machinery and Equipment	570,115	36,671		606,786
Total Accumulated Depreciation	<u>16,077,334</u>	<u>673,501</u>		<u>16,750,835</u>
Total Capital Assets, Being Depreciated, Net	<u>5,425,731</u>	<u>(268,641)</u>		<u>5,157,090</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,730,344</u>	<u>\$ (268,641)</u>	<u>\$ 12,000</u>	<u>\$ 5,449,703</u>

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

Governmental Activities:	
General Government	\$ 60,802
Public Safety	72,238
Public Works, including depreciation of general infrastructure assets	810,909
Culture and Recreation	363,943
Economic Development	9,515
Airport	239,245
Total Depreciation Expenses - Governmental Activities	<u>\$ 1,556,652</u>
Business-type Activities:	
Municipal Liquor Store	\$ 16,263
Water	284,871
Electric	10,702
Sewer Service	265,421
Roseau Court Townhomes	62,060
Garbage Collections	34,184
Total Depreciation Expense - Business-type Activities	<u>\$ 673,501</u>

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

Discretely Presented Component Unit – EDA

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2024, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 6,065,752	\$ _____	\$ _____	\$ 6,065,752
Total Capital Assets, Being Depreciated	<u>6,065,752</u>	<u>_____</u>	<u>_____</u>	<u>6,065,752</u>
Less: Accumulated Depreciation For:				
Buildings	200,109	151,643	_____	351,752
Total Accumulated Depreciation	<u>200,109</u>	<u>151,643</u>	<u>_____</u>	<u>351,752</u>
Total Capital Assets, Being Depreciated, Net	5,865,643	(151,643)	_____	5,714,000
Component Unit Capital Assets, Net	<u>\$ 5,865,643</u>	<u>\$ (151,643)</u>	<u>\$ _____</u>	<u>\$ 5,714,000</u>

NOTE 7. 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, 2024, 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 8. 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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

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

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity’s governing body. The resolution must state that the position meets plan requirements.

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

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of 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.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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.

Contributions – *Minnesota Statutes* Chapter 353, 353E, 353G, and 356 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 2024, 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, 2024, were \$93,031. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2024 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, 2024, were \$92,183. The City's contributions were equal to the required contributions as set by state statute.

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Pension Costs – At December 31, 2024, the City reported a liability of \$515,321 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 \$13,325.

City's proportionate share of net pension liability	\$	515,321
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>13,325</u>
Total	\$	<u><u>528,646</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0139% at the end of the measurement period and 0.0140% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$41,819 for its proportionate share of General Employee Plan’s pension expense. In addition, the City recognized an additional \$256 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$2,288 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City 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	\$ 48,677	\$
Difference between projected and actual investment earnings		147,651
Changes in actuarial assumptions	2,656	195,663
Changes in proportion		25,401
Contributions paid to PERA subsequent to the measurement date	<u>46,315</u>	
Total	<u><u>\$ 97,648</u></u>	<u><u>\$ 368,715</u></u>

The \$46,315 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2025	\$ (179,255)
2026	(34,468)
2027	(64,170)
2028	(39,489)

At December 31, 2024, the City reported a liability of \$431,711 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0328% at the end of the measurement period and 0.0373% for the beginning of the period.

The State of Minnesota also contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, 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, 2024. 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's proportionate share of the net pension liability associated with the City totaled \$16,457.

City's proportionate share of net pension liability	\$ 431,711
State of Minnesota's proportionate share of the net pension liability associated with the City	16,457
Total	<u>\$ 448,168</u>

For the year ended December 31, 2024, the City recognized pension expense of \$81,560 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,598 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$2,953 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2024, 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:

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 189,353	\$
Difference between projected and actual investment earnings		127,384
Changes in actuarial assumptions	589,934	722,718
Changes in proportion	9,031	108,174
Contributions paid to PERA subsequent to the measurement date	46,092	
Total	<u>\$ 834,410</u>	<u>\$ 958,276</u>

The \$46,092 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2025	\$ (21,816)
2026	140,713
2027	(75,881)
2028	(209,787)
2029	(3,187)

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$123,379.

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

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

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

- Inflation is assumed to be 2.25% for the General Employees Plan and the Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Actuarial Assumptions: None

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

Discount Rate – The discount rate used to measure the total pension liability in 2024 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 OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

	City Proportionate Share of NPL		
	1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
General Employees Plan	\$ 1,125,542	\$ 515,321	\$ 13,357
Police and Fire Fund	1,020,218	431,711	(51,576)

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.

NOTE 9. LONG-TERM DEBT

Primary Government

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

The City has the following loans:

Governmental Activities	Interest Rates	Maturity Dates	Amount
Loans Payable	2.23%	2025/30	\$ 321,954
			\$ 321,954
Business-type Activities	Interest Rates	Maturity Dates	Amount
MN Housing Finance Agency	5.72%	2025/35	\$ 211,914
			\$ 211,914

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	55,427	2,503	20,101	7,604
2030-2034	56,664	1,265	119,661	18,866
2035			2,295	15
	\$ 321,954	\$ 25,625	\$ 211,914	\$ 67,449

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 371,586	\$	\$ 49,632	\$ 321,954	\$ 50,741
Compensated Absences	177,758	28,200 *		205,958	
Governmental Activity					
Long-term Liabilities	<u>\$ 549,344</u>	<u>\$ 28,200</u>	<u>\$ 49,632</u>	<u>\$ 527,912</u>	<u>\$ 50,741</u>
<u>Business-type Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 227,026	\$	\$ 15,112	\$ 211,914	\$ 15,999
Compensated Absences	79,900	12,300 *		92,200	
Business-type Activity					
Long-term Liabilities	<u>\$ 306,926</u>	<u>\$ 12,300</u>	<u>\$ 15,112</u>	<u>\$ 304,114</u>	<u>\$ 15,999</u>

*The change in compensated absences is presented as a net change.

Discretely Presented Component Unit – EDA

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Component Unit Activities</u>					
Revenue Bonds Payable	\$ 4,144,167	\$	\$ 136,557	\$ 4,007,610	\$ 140,644
Loan Payable	272,004			272,004	3,298
Total Component Unit Activities	<u>\$ 4,416,171</u>	<u>\$</u>	<u>\$ 136,557</u>	<u>\$ 4,279,614</u>	<u>\$ 143,942</u>

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

Year Ending December 31	Component Unit	
	Principal	Interest
2025	\$ 3,298	\$ 2,256
2026	10,058	6,603
2027	10,313	6,348
2028	10,574	6,087
2029	10,842	5,820
2030-2034	58,463	24,797
2035-2039	66,237	17,070
2040-2044	75,046	8,261
2045-2046	27,173	597
	<u>\$ 272,004</u>	<u>\$ 77,839</u>

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

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

Year Ending December 31	Component Unit	
	Principal	Interest
2025	\$ 140,644	\$ 99,944
2026	144,251	96,337
2027	147,950	92,638
2028	151,493	89,095
2029	155,629	84,959
2030-2031	3,267,643	132,608
	<u>\$ 4,007,610</u>	<u>\$ 595,581</u>

*In 2031 the EDA will renegotiate loan terms with the bank.

NOTE 10. 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, 2024, the aggregate principal amount payable of the one series issued was \$1,270,251.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due from / to other funds:

Receivable	Payable	Amount
Electric	Capital Projects	\$ 1,025,144
Nonmajor	Nonmajor	22,635
		<u>\$ 1,047,779</u>

The amount payable is to cover cash deficits on December 31, 2024.

Interfund Transfers:

Transfer In	Transfer Out	Amount
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>\$ 793,071</u>

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

NOTE 12. 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 13. 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 14. 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 2024.

NOTE 15. SIGNIFICANT CUSTOMER

The City has a significant customer, which represents about 17% of the water utility billings and 9% of sewer billings.

NOTE 16. 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 17. NEW PRONOUNCEMENTS

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Property Taxes	\$ 1,157,450	\$ 1,162,244	\$ 4,794
Franchise Fee	40,000	36,598	(3,402)
Special Assessments	50,000	75,898	25,898
Licenses and Permits	30,800	47,457	16,657
Intergovernmental			
Federal	774,802	126,575	(648,227)
State			
Local Government Aid	896,123	938,864	42,741
Market Value Credit		142	142
Police Aid	80,000	73,420	(6,580)
Fire Aid	50,000	57,967	7,967
Aviation Maintenance Aid	35,758	58,204	22,446
Other State Aid	59,030		(59,030)
Other Local Aid		40,000	40,000
	<u>1,895,713</u>	<u>1,295,172</u>	<u>(600,541)</u>
Charges for Services			
General Government	30,000	37,199	7,199
Public Safety	61,697	60,895	(802)
Culture and Recreation	75,000	87,265	12,265
Airport	50,000	53,983	3,983
	<u>216,697</u>	<u>239,342</u>	<u>22,645</u>
Fines and Forfeitures	7,500	9,494	1,994
Miscellaneous			
Interest on Investments	50,000	145,255	95,255
Contributions	2,500	9,704	7,204
Reimbursements	50,000	17,889	(32,111)
Other Receipts	5,000	35,413	30,413
	<u>107,500</u>	<u>208,261</u>	<u>100,761</u>
Total Revenues	<u>3,505,660</u>	<u>3,074,466</u>	<u>(431,194)</u>
EXPENDITURES			
General Government			
Mayor and Council	39,461	31,733	7,728
Finance / Administration	133,902	115,098	18,804
Independent Auditors	14,200	15,187	(987)
Elections	7,800	6,778	1,022
Assessor	16,700	16,546	154
Legal Services	120,750	120,343	407
Planning, Zoning, Economic Development	150,460	141,935	8,525
Municipal Building	103,729	94,099	9,630
Miscellaneous	56,400	60,036	(3,636)
Capital Outlay	20,000	27,660	(7,660)
	<u>663,402</u>	<u>629,415</u>	<u>33,987</u>
			cont.

**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, 2024**

	Original / Final Budget	Actual	Variance with Final Budget
EXPENDITURES - Continued			
Public Safety			
Police	1,159,483	1,059,671	99,812
Fire	241,855	217,297	24,558
Building Inspector	54,800	47,361	7,439
Emergency Services	9,650	9,340	310
Capital Outlay	128,000	137,015	(9,015)
	<u>1,593,788</u>	<u>1,470,684</u>	<u>123,104</u>
Public Works			
Streets and Highways	414,417	386,205	28,212
Snow and Ice Removal	46,100	35,329	10,771
Street Lighting and Signals	21,000	24,480	(3,480)
Capital Outlay	117,500	122,795	(5,295)
	<u>599,017</u>	<u>568,809</u>	<u>30,208</u>
Culture and Recreation			
Library and Museum	123,399	116,680	6,719
Parks and Recreation	538,048	555,236	(17,188)
Capital Outlay - Parks and Recreation	92,500	178,484	(85,984)
	<u>753,947</u>	<u>850,400</u>	<u>(96,453)</u>
Economic Development			
Current Expenditures	39,809	74,634	(34,825)
Capital Outlay	19,310	96,718	(77,408)
	<u>59,119</u>	<u>171,352</u>	<u>(112,233)</u>
Airport			
Current Expenditures	106,523	130,063	(23,540)
Capital Outlay	816,000	144,068	671,932
	<u>922,523</u>	<u>274,131</u>	<u>648,392</u>
Debt Service			
Principal		49,632	(49,632)
Interest		8,298	(8,298)
		<u>57,930</u>	<u>(57,930)</u>
Total Expenditures	<u>4,591,796</u>	<u>4,022,721</u>	<u>569,075</u>
REVENUES UNDER EXPENDITURES	<u>(1,086,136)</u>	<u>(948,255)</u>	<u>137,881</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,000	793,071	757,071
Sale of Capital Asset	2,500	261,892	259,392
Transfers Out	(53,200)		53,200
Total Other Financing Sources (Uses)	<u>(14,700)</u>	<u>1,054,963</u>	<u>1,069,663</u>
NET CHANGE IN FUND BALANCE	<u>(1,100,836)</u>	<u>106,708</u>	<u>1,207,544</u>
FUND BALANCE, JANUARY 1	584,972	584,972	
ERROR CORRECTION - SEE NOTE 2	20,545	20,545	
FUND BALANCE, JANUARY 1, AS RESTATED	<u>605,517</u>	<u>605,517</u>	
FUND BALANCE, DECEMBER 31	<u>\$ (495,319)</u>	<u>\$ 712,225</u>	<u>\$ 1,207,544</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
	2024	93,031	93,031		1,240,415	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
	2024	92,183	92,183		520,808	17.70

See Notes to the Required Supplementary Information

**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
	2024	0.0139	515,321	13,325	528,646	1,197,166	44.16	89.08
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
	2024	0.0328	431,711	16,457	448,168	488,169	91.81	90.17

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

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 2024.

NOTE 2. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

2024 Changes

Changes in Actuarial Assumptions: None

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

CITY OF ROSEAU, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2024

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	\$ 24,066	\$ 100,893	\$ 46,886	\$ 86,356	\$ 7,330	\$ 27,772	\$ 293,303
Notes Receivable	72,166						72,166
Due From Other Funds				22,635			22,635
TOTAL ASSETS	<u>\$ 96,232</u>	<u>\$ 100,893</u>	<u>\$ 46,886</u>	<u>\$ 108,991</u>	<u>\$ 7,330</u>	<u>\$ 27,772</u>	<u>\$ 388,104</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$	\$ 32	\$	\$ 363	\$	\$	\$ 395
Due To Other Funds	22,635						22,635
Total Liabilities	<u>22,635</u>	<u>32</u>		<u>363</u>			<u>23,030</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Notes Receivable	72,166						72,166
Total Deferred Inflows of Resources	<u>72,166</u>						<u>72,166</u>
Fund Balances							
Restricted for							
Economic Development		100,861	46,886				147,747
Committed for							
Economic Development	1,431						1,431
Birding Trail					7,330		7,330
Public Safety						27,772	27,772
Assigned for Economic Development				108,628			108,628
Total Fund Balances	<u>1,431</u>	<u>100,861</u>	<u>46,886</u>	<u>108,628</u>	<u>7,330</u>	<u>27,772</u>	<u>292,908</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 96,232</u>	<u>\$ 100,893</u>	<u>\$ 46,886</u>	<u>\$ 108,991</u>	<u>\$ 7,330</u>	<u>\$ 27,772</u>	<u>\$ 388,104</u>

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

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	\$	\$	\$ 139,847	\$	\$	\$	\$ 139,847
Hotel / Motel Tax		71,523					71,523
Intergovernmental - Federal	115,995						115,995
Intergovernmental - State		5,000			5,000		10,000
Miscellaneous							
Contributions	12,476				6,800		19,276
Rents				36,134			36,134
Miscellaneous	38,102	164				20,000	58,266
Total Revenues	<u>166,573</u>	<u>76,687</u>	<u>139,847</u>	<u>36,134</u>	<u>11,800</u>	<u>20,000</u>	<u>451,041</u>
EXPENDITURES							
Current							
Public Safety						7,622	7,622
Culture and Recreation	36,695				10,170		46,865
Economic Development	144,571	77,594	159,604	5,133			386,902
Capital Outlay							
Economic Development				14,890			14,890
Total Expenditures	<u>181,266</u>	<u>77,594</u>	<u>159,604</u>	<u>20,023</u>	<u>10,170</u>	<u>7,622</u>	<u>456,279</u>
NET CHANGE IN FUND BALANCES	(14,693)	(907)	(19,757)	16,111	1,630	12,378	(5,238)
FUND BALANCE, JANUARY 1	<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>
FUND BALANCE, DECEMBER 31	\$ <u>1,431</u>	\$ <u>100,861</u>	\$ <u>46,886</u>	\$ <u>108,628</u>	\$ <u>7,330</u>	\$ <u>27,772</u>	\$ <u>292,908</u>

**CITY OF ROSEAU, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS
 DECEMBER 31, 2024**

Exhibit B-3

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 428,653	\$ 344,498	\$ 773,151
Accounts Receivable		8,107	8,107
Notes Receivable (Net of Allowance)	712,270		712,270
Capital Assets			
Buildings		6,065,752	6,065,752
Less: Accumulated Depreciation		(351,752)	(351,752)
Total Capital Assets		<u>5,714,000</u>	<u>5,714,000</u>
TOTAL ASSETS	<u>1,140,923</u>	<u>6,066,605</u>	<u>7,207,528</u>
LIABILITIES			
Current Liabilities			
Accounts Payable		8,079	8,079
Customer Deposits		40,656	40,656
Prepaid Rent		10,519	10,519
Interest Payable		8,627	8,627
Long-Term Debt Due Within One Year		143,942	143,942
Total Current Liabilities		<u>211,823</u>	<u>211,823</u>
Noncurrent Liabilities			
Due to Primary Government		272,004	272,004
Loan Payable - HRA		272,004	272,004
Revenue Bond Payable		3,863,668	3,863,668
Total Noncurrent Liabilities		<u>4,407,676</u>	<u>4,407,676</u>
TOTAL LIABILITIES		<u>4,619,499</u>	<u>4,619,499</u>
NET POSITION			
Net Investment in Capital Assets		1,162,382	1,162,382
Unrestricted	1,140,923	284,724	1,425,647
TOTAL NET POSITION	<u>\$ 1,140,923</u>	<u>\$ 1,447,106</u>	<u>\$ 2,588,029</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, 2024**

Exhibit B-4

	<u>Development</u>	<u>Apartments</u>	<u>Totals</u>
OPERATING REVENUES			
Tenant Rent and Other Charges	\$ _____	\$ 458,767	\$ 458,767
Total Operating Revenues	<u>_____</u>	<u>458,767</u>	<u>458,767</u>
OPERATING EXPENSES			
Economic Development	550		550
Housing		219,359	219,359
Depreciation		151,643	151,643
Total Operating Expenses	<u>550</u>	<u>371,002</u>	<u>371,552</u>
Operating Income (Loss)	(550)	87,765	87,215
NONOPERATING REVENUE (EXPENSE)			
Interest Earnings	19,958	5,375	25,333
Property Taxes		53,768	53,768
Other Income		13,699	13,699
Interest Expense		(103,737)	(103,737)
Total Nonoperating Revenue (Expense)	<u>19,958</u>	<u>(30,895)</u>	<u>(10,937)</u>
Change in Net Position	19,408	56,870	76,278
Net Position, Beginning	<u>1,121,515</u>	<u>1,390,236</u>	<u>2,511,751</u>
Net Position, Ending	<u>\$ 1,140,923</u>	<u>\$ 1,447,106</u>	<u>\$ 2,588,029</u>

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Beginning Balance	Revenues	Expenditures	Transfer In	Transfer Out	Error Correction	Sale of Capital Asset	Ending Balance
Governmental Funds								
General	\$ 584,972	\$ 3,074,466	\$ 4,022,721	\$ 793,071	\$	\$ 20,545	\$ 261,892	\$ 712,225
Special Revenue								
Community and Economic Development	16,124	166,573	181,266					1,431
Lodging Tax	101,768	76,687	77,594					100,861
T.I.F.	66,643	139,847	159,604					46,886
EDA Building	92,517	36,134	20,023					108,628
Pine To Prairie Birding Trail	5,700	11,800	10,170					7,330
Roseau PD	15,394	20,000	7,622					27,772
Capital Projects	(797,344)	759,209	861,757					(899,892)
Total Governmental Funds	85,774	4,284,716	5,340,757	793,071		20,545	261,892	105,241
Proprietary Funds								
Municipal Liquor Store	1,552,595	2,196,490	1,958,864		220,000			1,570,221
Water	1,945,916	494,895	598,815		37,000			1,804,996
Electric	5,505,523	4,191,219	3,634,692		420,000			5,642,050
Sewer Service	2,675,197	375,909	486,381		35,000			2,529,725
Roseau Court Townhomes	1,755,978	273,327	222,321		36,071			1,770,913
Garbage Collection	636,614	523,589	454,515		45,000			660,688
Total Proprietary Funds	14,071,823	8,055,429	7,355,588		793,071			13,978,593
Total Primary Government	\$ 14,157,597	\$ 12,340,145	\$ 12,696,345	\$ 793,071	\$ 793,071	\$ 20,545	\$ 261,892	\$ 14,083,834
Component Unit								
Economic Development Authority								
Economic Development	\$ 1,121,515	\$ 19,958	\$ 550	\$	\$	\$	\$	\$ 1,140,923
Apartments	1,390,236	531,609	474,739					1,447,106
Total Component Unit	\$ 2,511,751	\$ 551,567	\$ 475,289	\$	\$	\$	\$	\$ 2,588,029

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2024**

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Balance 12/31/2023</u>	<u>Issued 2024</u>	<u>Retired 2024</u>	<u>Balance 12/31/2024</u>	<u>Principal 2025</u>	<u>Interest 2025</u>
Primary Government										
Loans										
Mortgage Note	5.72%	8/1/2004	7/1/2035	\$ 396,923	\$ 227,026	\$	\$ 15,112	\$ 211,914	\$ 15,999	\$ 11,706
Kinetic Loan	2.23%	5/3/2021	6/1/2030	525,000	371,586		49,632	321,954	50,741	7,189
Total					<u>598,612</u>		<u>64,744</u>	<u>533,868</u>	<u>66,740</u>	<u>18,895</u>
Total Indebtedness					<u>\$ 598,612</u>		<u>\$ 64,744</u>	<u>\$ 533,868</u>	<u>\$ 66,740</u>	<u>\$ 18,895</u>
Discretely Presented Component Unit										
Revenue Bonds Payable	2.50%	8/11/2021	8/1/2046	\$ 4,200,000	\$ 4,144,167	\$	\$ 136,557	\$ 4,007,610	\$ 140,644	\$ 99,944
HRA Loan	0.25%	8/11/2021	8/1/2046	272,004	272,004			272,004	3,298	2,256
Total Indebtedness					<u>\$ 4,416,171</u>		<u>\$ 136,557</u>	<u>\$ 4,279,614</u>	<u>\$ 143,942</u>	<u>\$ 102,200</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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2025. 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.
GRAND FORKS, NORTH DAKOTA

April 24, 2025

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 24, 2025. 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 a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 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.
GRAND FORKS, NORTH DAKOTA

April 24, 2025

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2024**

2024-001 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.

2024-001 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