

**CITY OF ROSEAU
ROSEAU, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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**CITY OF ROSEAU, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2025**

Mayor	Dan Fabian
Council	Patrick Novacek
Council	Amy Bassingthwaite
Council	Oliver Ullman
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, 2025, 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 possible effects of the matter discussed 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, 2025, 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 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Roseau, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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

Management has not adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the Fire Relief Association and Governmental Accounting Standards Board Statement No. 87, *Leases* for the City. Accounting principles generally accepted in the United States of America require that GASB Statement Nos. 68 and 87 be adopted. The amounts by which these departures would affect the assets, liabilities, deferred outflow of resources, deferred inflows of resources, and net position, has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseau's basic financial statements. The combining statements, schedule of changes in fund balances and net position, schedule of indebtedness, and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, schedule of indebtedness, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, 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
GRAND FORKS, NORTH DAKOTA**

March 18, 2026

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,945,662 (net position). Of this amount, \$8,212,066 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 \$(267,819).

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 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025**

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 \$59,945,662 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 1,218,486	\$ 1,486,045	\$ 10,196,254	\$ 9,715,356	\$ 11,414,740	\$ 11,201,401
Capital Assets	47,662,788	42,738,278	5,154,420	5,449,703	52,817,208	48,187,981
Total Assets	<u>48,881,274</u>	<u>44,224,323</u>	<u>15,350,674</u>	<u>15,165,059</u>	<u>64,231,948</u>	<u>59,389,382</u>
Deferred Outflows of Resources	704,257	882,257	74,546	49,801	778,803	932,058
Long-term Liabilities	2,207,560	1,212,129	778,693	566,929	2,986,253	1,779,058
Other Liabilities	393,598	262,013	553,798	481,294	947,396	743,307
Total Liabilities	<u>2,601,158</u>	<u>1,474,142</u>	<u>1,332,491</u>	<u>1,048,223</u>	<u>3,933,649</u>	<u>2,522,365</u>
Deferred Inflows of Resources	968,613	1,138,947	162,827	188,044	1,131,440	1,326,991
Net Position						
Net Investment in						
Capital Assets	46,324,535	42,416,324	4,741,531	5,237,789	51,066,066	47,654,113
Restricted	130,207	147,747	537,323	450,173	667,530	597,920
Unrestricted	(438,982)	(70,580)	8,651,048	8,290,631	8,212,066	8,220,051
Total Net Position	<u>\$ 46,015,760</u>	<u>\$ 42,493,491</u>	<u>\$ 13,929,902</u>	<u>\$ 13,978,593</u>	<u>\$ 59,945,662</u>	<u>\$ 56,472,084</u>

A portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, construction in process, buildings, improvements other than buildings, machinery and equipment), less any related debt used to acquire assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025**

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	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 317,811	\$ 302,625	\$ 8,419,450	\$ 7,999,699	\$ 8,737,261	\$ 8,302,324
Operating Grants and Contributions	844,827	527,999			844,827	527,999
Capital Grants and Contributions	4,631,513	749,569			4,631,513	749,569
General Revenues						
Taxes	1,368,795	1,317,620			1,368,795	1,317,620
Unrestricted State Aid	925,097	939,006			925,097	939,006
Unrestricted Investment Earnings	160,138	160,255	21,259	30,727	181,397	190,982
Sale of Capital Asset	14,500	261,892			14,500	261,892
Other General Revenue	232,211	166,075	214,168	25,003	446,379	191,078
Total Revenues	<u>8,494,892</u>	<u>4,425,041</u>	<u>8,654,877</u>	<u>8,055,429</u>	<u>17,149,769</u>	<u>12,480,470</u>
Expenses						
General Government	669,088	649,791			669,088	649,791
Public Safety	1,583,765	1,354,538			1,583,765	1,354,538
Public Works	1,329,144	1,406,125			1,329,144	1,406,125
Culture and Recreation	1,235,004	1,082,046			1,235,004	1,082,046
Economic Development	399,673	516,389			399,673	516,389
Airport	510,410	513,376			510,410	513,376
Interest on Long-term Debt	38,610	8,298			38,610	8,298
Municipal Liquor Store			1,919,561	1,958,863	1,919,561	1,958,863
Water			687,885	598,816	687,885	598,816
Electric			3,878,797	3,634,692	3,878,797	3,634,692
Sewer Service			576,407	486,381	576,407	486,381
Roseau Court Townhomes			218,735	222,321	218,735	222,321
Garbage			629,112	454,515	629,112	454,515
Total Expenses	<u>5,765,694</u>	<u>5,530,563</u>	<u>7,910,497</u>	<u>7,355,588</u>	<u>13,676,191</u>	<u>12,886,151</u>
Change in Net Position Before Transfers	2,729,198	(1,105,522)	744,380	699,841	3,473,578	(405,681)
Transfers	<u>793,071</u>	<u>793,071</u>	<u>(793,071)</u>	<u>(793,071)</u>		
Change in Net Position	3,522,269	(312,451)	(48,691)	(93,230)	3,473,578	(405,681)
Net Position - January 1	<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>
Net Position - December 31	<u>\$ 46,015,760</u>	<u>\$ 42,493,491</u>	<u>\$ 13,929,902</u>	<u>\$ 13,978,593</u>	<u>\$ 59,945,662</u>	<u>\$ 56,472,084</u>

Governmental Activities. The change in net position before transfers was an increase of \$2,729,198. The governmental activities received \$793,071 from the business-type activities during 2025, resulting in an increase in net position of \$3,522,269.

Business-type Activities. The change in net position before transfers was an increase of \$744,380. The business-type activities transferred \$793,071 to the governmental activities, resulting in a decrease in net position of \$(48,691).

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025**

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, unassigned 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)
	12/31/2025	12/31/2024		
Governmental Funds				
General	\$ (267,819)	\$ 712,225	\$ (980,044)	-138%
Capital Projects	(238,420)	(899,892)	661,472	74%
Proprietary Funds				
Municipal Liquor Store	1,603,577	1,570,221	33,356	2%
Water	1,586,484	1,804,996	(218,512)	-12%
Electric	6,074,696	5,642,050	432,646	8%
Sewer Service	2,284,233	2,529,725	(245,492)	-10%
Roseau Court Townhomes	1,803,043	1,770,913	32,130	2%
Garbage	577,869	660,688	(82,819)	-13%

General Fund Budgetary Highlights

During the year the City did not amend the budget.

The City received revenues over the budgeted amounts of \$391,950 and expended \$353,277 over the budget.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounts to \$52,817,208 (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	
	2025	2024	2025	2024	2025	2024
Land	\$ 12,713,502	\$ 12,713,502	\$ 292,613	\$ 292,613	\$ 13,006,115	\$ 13,006,115
Construction in Process	4,691,550	616,663			4,691,550	616,663
Buildings	11,934,015	11,417,848	1,860,166	1,926,739	13,794,181	13,344,587
Improvements Other Than Buildings	15,976,102	16,691,739	62,949	66,694	16,039,051	16,758,433
Plant and Equipment			2,531,747	2,972,778	2,531,747	2,972,778
Machinery and Equipment	2,347,619	1,298,526	406,945	190,879	2,754,564	1,489,405
Total	<u>\$ 47,662,788</u>	<u>\$ 42,738,278</u>	<u>\$ 5,154,420</u>	<u>\$ 5,449,703</u>	<u>\$ 52,817,208</u>	<u>\$ 48,187,981</u>

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

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025**

Long-term Debt. At the end of the current fiscal year, the City had \$1,751,142 in loans and other long-term obligations.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Loans Payable	\$ 1,338,253	\$ 321,954	\$ 412,889	\$ 211,914	\$ 1,751,142	\$ 533,868

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

Economic Factors

The Roseau economy remained soft in 2025 with lower production levels at the area's main manufacturing employers. Persistent higher interest rates and softening consumer demand for recreational transportation equipment lowered production levels and staffing across the industry. The City's largest employer, Polaris Industries, has reconfigured production in Roseau to include the in-sourcing of subassembly items and other production changes to maintain a consistent staffing level; however, longer production breaks and minimal overtime were common in 2025. The reduced production schedule at Polaris had a significant impact on discretionary dollars available in the community. 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 persist as long-term concerns for our local industry due to changing demographics, despite a current slowdown in employment 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 facilitate growth of our local industry.

State and Federal assistance to local government units remained stable in 2025, including the City of Roseau. While State and Federal operational aid generally do not constitute a significant portion of the City of Roseau's day to day operating budget, one-time grants and aids from the State and Federal governments have allowed the city to pursue additional capital improvements that would otherwise be unaffordable. The City of Roseau has employed capital lease obligations in 2025 to pay for some high-cost capital expenses to better match improvement costs with the life of the assets but overall maintains minimal debt obligations. The city maintains healthy fund balances and enjoys newer infrastructure, placing the community in a strong 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 with expanded service including a newly integrated clinic facility it purchased from Altru of Grand Forks.

A traditional barrier to growth in Roseau has been a lack of available housing for new residents. In 2025 the city, through its EDA, continued to seek funding for a third municipally owned apartment project, the Ten01 Apartments, a new 41-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. In 2025 the city participated in the completion of five new single-family homes that were made available to the public. One was completed in partnership with the Roseau School Industrial Trades Class and the other four were completed as part of a new community land trust (CLT) project in the community in partnership with the Northwest Minnesota Foundation.

**CITY OF ROSEAU, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025**

Agriculture continues to provide diversification and stability for the overall local economy. The growing season in 2025 was good in the Roseau region despite headwinds from tariffs and the loss of some traditional markets. 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.
- A continuing depressed demand for recreational transportation equipment, sluggish economy or changing market forces resulting in reduced hours and/or major layoffs at area employers.
- Economic, political 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 new 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 overall costs of providing employee wages, pensions, and health benefits.
- Increasing costs and administrative burdens for on-going operations because 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 or rate hikes.
- 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, 2025**

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and Investments	\$ 312,702	\$ 7,018,899	\$ 7,331,601	\$ 834,668
Receivables				
Accounts (Net of Allowance)	137	630,661	630,798	6,399
Delinquent Taxes	60,000		60,000	
Special Assessments	388,500		388,500	
Notes Receivable (Net of Allowance)	341,687		341,687	663,131
Internal Balances	(1,630,008)	1,630,008		
Due From Other Governments	1,473,464	32,373	1,505,837	
Inventory		363,010	363,010	
Restricted: Funded Reserves		497,953	497,953	
Restricted: Tenant Security Deposits, Cash		23,350	23,350	
Due From Component Unit	272,004		272,004	
Capital Assets				
Land	12,713,502	292,613	13,006,115	
Construction in Process	4,691,550		4,691,550	
Buildings	19,066,680	3,213,876	22,280,556	6,065,752
Improvements Other than Buildings	30,072,463	162,905	30,235,368	
Plant and Equipment		17,848,215	17,848,215	
Machinery and Equipment	5,554,452	1,074,565	6,629,017	
Less: Accumulated Depreciation	(24,435,859)	(17,437,754)	(41,873,613)	(503,396)
Total Capital Assets, Net of Depreciation	47,662,788	5,154,420	52,817,208	5,562,356
TOTAL ASSETS	48,881,274	15,350,674	64,231,948	7,066,554
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	704,257	74,546	778,803	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	704,257	74,546	778,803	
LIABILITIES				
Accounts Payable	363,525	393,513	757,038	5,632
Accrued Payroll Expenses		905	905	
Due to Other Governments		72,223	72,223	
Consumer Deposits		61,654	61,654	37,198
Accrued Interest Payable	30,073	9,028	39,101	8,627
Prepaid Rent		2,523	2,523	9,175
Unearned Revenue		13,952	13,952	
Noncurrent Liabilities				
Due to Primary Government				272,004
Net Pension Liability	669,149	249,504	918,653	
Due Within One Year	234,023	96,409	330,432	154,309
Due in More than One Year	1,304,388	432,780	1,737,168	3,981,890
TOTAL LIABILITIES	2,601,158	1,332,491	3,933,649	4,468,835
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	968,613	162,827	1,131,440	
TOTAL DEFERRED INFLOWS OF RESOURCES	968,613	162,827	1,131,440	
NET POSITION				
Net Investment in Capital Assets	46,324,535	4,741,531	51,066,066	1,154,153
Restricted for:				
Funded Reserves		497,953	497,953	
MFHA - Residual Receipts		39,370	39,370	
Economic Development	130,207		130,207	
Unrestricted	(438,982)	8,651,048	8,212,066	1,443,566
TOTAL NET POSITION	\$ 46,015,760	\$ 13,929,902	\$ 59,945,662	\$ 2,597,719

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental Activities:								
General Government	\$ 669,088	\$ 71,408	\$ 193,629	\$	\$ (404,051)	\$	\$ (404,051)	\$
Public Safety	1,583,765	100,066	488,958		(994,741)		(994,741)	
Public Works	1,329,144	18,731		4,295,605	2,985,192		2,985,192	
Culture and Recreation	1,235,004	28,160	8,000		(1,198,844)		(1,198,844)	
Economic Development	399,673		38,808		(360,865)		(360,865)	
Airport	510,410	99,446	115,432	335,908	40,376		40,376	
Interest on Long-term Debt	38,610				(38,610)		(38,610)	
Total Governmental Activities	5,765,694	317,811	844,827	4,631,513	28,457		28,457	
Business-type Activities:								
Municipal Liquor Store	1,919,561	2,171,595				252,034	252,034	
Water	687,885	488,267				(199,618)	(199,618)	
Electric	3,878,797	4,543,429				664,632	664,632	
Sewer Service	576,407	364,822				(211,585)	(211,585)	
Roseau Court Townhomes	218,735	265,677				46,942	46,942	
Garbage	629,112	585,660				(43,452)	(43,452)	
Total Business-type Activities	7,910,497	8,419,450				508,953	508,953	
Total Government	\$ 13,676,191	\$ 8,737,261	\$ 844,827	\$ 4,631,513	28,457	508,953	537,410	
Component Unit:								
Economic Development	\$ 154,069	\$	\$ 110,000	\$				(44,069)
Housing	508,300	460,205	17,730					(30,365)
Total Component Unit	\$ 662,369	\$ 460,205	\$ 127,730	\$				(74,434)
General Revenues:								
Property Taxes					1,267,429		1,267,429	54,149
Hotel / Motel Taxes					61,668		61,668	
Franchise Fee					39,698		39,698	
Unrestricted State Aid					925,097		925,097	
Unrestricted Investment Earnings					160,138	21,259	181,397	29,975
Other General Revenue					232,211	214,168	446,379	
Sale of Capital Asset					14,500		14,500	
Transfers					793,071	(793,071)		
Total General Revenues and Transfers					3,493,812	(557,644)	2,936,168	84,124
Change in Net Position					3,522,269	(48,691)	3,473,578	9,690
Net Position - January 1					42,493,491	13,978,593	56,472,084	2,588,029
Net Position - December 31					\$ 46,015,760	\$ 13,929,902	\$ 59,945,662	\$ 2,597,719

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

Exhibit A-3

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$	\$	\$ 312,702	\$ 312,702
Receivables				
Accounts	137			137
Tax Receivable - Delinquent	60,000			60,000
Special Assessments				
Delinquent	42,600			42,600
Noncurrent	345,900			345,900
Notes Receivable	674,521		72,166	746,687
Due From Other Funds			22,635	22,635
Due From Component Unit	272,004			272,004
Due From Other Governments	265,089	1,208,375		1,473,464
TOTAL ASSETS	<u>\$ 1,660,251</u>	<u>\$ 1,208,375</u>	<u>\$ 407,503</u>	<u>\$ 3,276,129</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 144,413	\$ 205,419	\$ 13,693	\$ 363,525
Due To Other Funds	388,632	1,241,376	22,635	1,652,643
Total Liabilities	<u>533,045</u>	<u>1,446,795</u>	<u>36,328</u>	<u>2,016,168</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	60,000			60,000
Unavailable Revenue - Notes Receivable	674,521		72,166	746,687
Unavailable Revenue - EDA Loan	272,004			272,004
Unavailable Revenue - Special Assessments	388,500			388,500
Total Deferred Inflows of Resources	<u>1,395,025</u>	<u></u>	<u>72,166</u>	<u>1,467,191</u>
FUND BALANCES				
Restricted for:				
Economic Development			130,207	130,207
Committed for:				
Economic Development			6,633	6,633
Birding Trail			1,841	1,841
Roseau P.D.			23,393	23,393
Assigned for Economic Development			136,935	136,935
Unassigned	(267,819)	(238,420)		(506,239)
Total Fund Balances	<u>(267,819)</u>	<u>(238,420)</u>	<u>299,009</u>	<u>(207,230)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,660,251</u>	<u>\$ 1,208,375</u>	<u>\$ 407,503</u>	<u>\$ 3,276,129</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, 2025**

Exhibit A-4

Total fund balances - governmental funds	\$ (207,230)
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	72,098,647
Less: accumulated depreciation	(24,435,859)
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.	
	704,257
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	(669,149)
Loans Payable	(1,338,253)
Compensated absences	(200,158)
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.	
	(968,613)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the general fund.	
	(30,073)
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>1,467,191</u>
Net position - governmental activities	<u>\$ 46,015,760</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, 2025

Exhibit A-5

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 1,217,643	\$	\$ 135,392	\$ 1,353,035
Hotel / Motel Tax			61,668	61,668
Franchise Fee	39,698			39,698
Special Assessments	71,483			71,483
Licenses and Permits	38,133			38,133
Intergovernmental				
Federal	270,996	2,688,319		2,959,315
State	1,437,088	1,942,812	8,000	3,387,900
Charges for Services	271,608			271,608
Fines and Forfeitures	8,068			8,068
Interest on Investments	145,638			145,638
Miscellaneous	128,749	2,275	123,569	254,593
Total Revenues	<u>3,629,104</u>	<u>4,633,406</u>	<u>328,629</u>	<u>8,591,139</u>
EXPENDITURES				
Current				
General Government	617,329	650		617,979
Public Safety	1,416,948			1,416,948
Public Works	497,476			497,476
Culture and Recreation	772,622		54,295	826,917
Economic Development	108,100		238,729	346,829
Airport	130,759			130,759
Capital Outlay				
Public Safety	504,447		24,379	528,826
Public Works	45,662	4,539,186		4,584,848
Culture and Recreation	1,223,862		1,785	1,225,647
Economic Development	90,680		3,340	94,020
Airport	103,117	345,577		448,694
Debt Service				
Principal	235,243			235,243
Interest	8,537			8,537
Total Expenditures	<u>5,754,782</u>	<u>4,885,413</u>	<u>322,528</u>	<u>10,962,723</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,125,678)</u>	<u>(252,007)</u>	<u>6,101</u>	<u>(2,371,584)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	793,071	913,479		1,706,550
Sale of Capital Asset	14,500			14,500
Debt Issued	1,251,542			1,251,542
Transfers Out	(913,479)			(913,479)
Total Other Financing Sources (Uses)	<u>1,145,634</u>	<u>913,479</u>		<u>2,059,113</u>
NET CHANGE IN FUND BALANCES	(980,044)	661,472	6,101	(312,471)
FUND BALANCE, JANUARY 1	<u>712,225</u>	<u>(899,892)</u>	<u>292,908</u>	<u>105,241</u>
FUND BALANCE, DECEMBER 31	<u>\$ (267,819)</u>	<u>\$ (238,420)</u>	<u>\$ 299,009</u>	<u>\$ (207,230)</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, 2025**

Exhibit A-6

Total net change in fund balances - governmental funds.	\$ (312,471)
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	6,571,751
Depreciation expense	(1,647,241)
Proceeds from long-term debt provide current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,251,542)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	235,243
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditures in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(30,073)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(56,600)
Change in net pension liability	15,068
Change in deferred outflows and inflows of resources related to net pension liability	(7,666)
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>5,800</u>
Change in net position - governmental activities	<u>\$ 3,522,269</u>

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025**

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
ASSETS							
CURRENT ASSETS							
Cash and Investments	\$ 741,564	\$ 615,892	\$ 4,221,135	\$ 816,544	\$ 82,473	\$ 541,291	\$ 7,018,899
Accounts Receivable (Net of Allowance)	13,607	41,919	464,044	34,944	11,313	64,834	630,661
Due From Other Funds			1,630,008				1,630,008
Due From Other Governments			32,373				32,373
Inventory	329,933		33,077				363,010
Total Current Assets	<u>1,085,104</u>	<u>657,811</u>	<u>6,380,637</u>	<u>851,488</u>	<u>93,786</u>	<u>606,125</u>	<u>9,674,951</u>
NONCURRENT ASSETS							
Restricted: Funded Reserves					497,953		497,953
Restricted: Tenant Security Deposits, Cash					23,350		23,350
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		7,690,437	2,803,153	7,354,625			17,848,215
Machinery and Equipment	357,830				49,373	667,362	1,074,565
Less: accumulated depreciation	<u>(397,114)</u>	<u>(6,685,821)</u>	<u>(2,682,421)</u>	<u>(5,948,144)</u>	<u>(1,402,957)</u>	<u>(321,297)</u>	<u>(17,437,754)</u>
Total Capital Assets	<u>665,413</u>	<u>1,020,866</u>	<u>182,617</u>	<u>1,525,959</u>	<u>1,413,500</u>	<u>346,065</u>	<u>5,154,420</u>
Total Noncurrent Assets	<u>665,413</u>	<u>1,020,866</u>	<u>182,617</u>	<u>1,525,959</u>	<u>1,934,803</u>	<u>346,065</u>	<u>5,675,723</u>
Total Assets	<u>1,750,517</u>	<u>1,678,677</u>	<u>6,563,254</u>	<u>2,377,447</u>	<u>2,028,589</u>	<u>952,190</u>	<u>15,350,674</u>
DEFERRED OUTFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	19,004	13,156	8,036	13,155		21,195	74,546
Total Deferred Outflows of Resources	<u>19,004</u>	<u>13,156</u>	<u>8,036</u>	<u>13,155</u>		<u>21,195</u>	<u>74,546</u>

cont.

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2025**

Exhibit A-7

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	30,043	2,031	341,355	4,404	3,499	12,181	393,513
Accrued Expenses			905				905
Due to Other Governments	21,491	1,352	37,570			11,810	72,223
Consumer Deposits	305		38,750		22,599		61,654
Interest Payable					1,010	8,018	9,028
Prepaid Rent					2,523		2,523
Unearned Revenue	2,903		11,049				13,952
Current Portion - Long Term Liabilities	1,525	7,300	5,625	7,300	16,939	57,720	96,409
Total Current Liabilities	<u>56,267</u>	<u>10,683</u>	<u>435,254</u>	<u>11,704</u>	<u>46,570</u>	<u>89,729</u>	<u>650,207</u>
NONCURRENT LIABILITIES							
Loans Payable					195,915	216,974	412,889
Compensated Absences	6,100	29,200	22,500	29,200		29,300	116,300
Net Pension Liability	63,597	44,031	26,907	44,031		70,938	249,504
Less: Current Portion of Long Term Liabilities	(1,525)	(7,300)	(5,625)	(7,300)	(16,939)	(57,720)	(96,409)
Total Noncurrent Liabilities	<u>68,172</u>	<u>65,931</u>	<u>43,782</u>	<u>65,931</u>	<u>178,976</u>	<u>259,492</u>	<u>682,284</u>
Total Liabilities	<u>124,439</u>	<u>76,614</u>	<u>479,036</u>	<u>77,635</u>	<u>225,546</u>	<u>349,221</u>	<u>1,332,491</u>
DEFERRED INFLOWS OF RESOURCES							
Cost Sharing Defined Benefit Pension Plan	41,505	28,735	17,558	28,734		46,295	162,827
Total Deferred Inflows of Resources	<u>41,505</u>	<u>28,735</u>	<u>17,558</u>	<u>28,734</u>		<u>46,295</u>	<u>162,827</u>
NET POSITION							
Net Investment in Capital Assets	665,413	1,020,866	182,617	1,525,959	1,217,585	129,091	4,741,531
Restricted for Funded Reserves					497,953		497,953
Restricted for MFHA - Residual Receipts					39,370		39,370
Unrestricted	938,164	565,618	5,892,079	758,274	48,135	448,778	8,651,048
Total Net Position	<u>\$ 1,603,577</u>	<u>\$ 1,586,484</u>	<u>\$ 6,074,696</u>	<u>\$ 2,284,233</u>	<u>\$ 1,803,043</u>	<u>\$ 577,869</u>	<u>\$ 13,929,902</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, 2025**

Exhibit A-8

	Major Funds						Totals
	Municipal Liquor Store	Water	Electric	Sewer Service	Roseau Court Townhomes	Garbage Collection	
OPERATING REVENUES							
Sales	\$ 2,171,575	\$	\$	\$	\$	\$	\$ 2,171,575
Cost of Sales	1,552,500						1,552,500
Gross Profit	619,075						619,075
Charges for Services		486,155	4,513,643	363,205		585,660	5,948,663
Other Services		2,112	29,786	2,710	265,677		300,285
Total Operating Revenues	619,075	488,267	4,543,429	365,915	265,677	585,660	6,868,023
OPERATING EXPENSES							
Production Expense		155,524	3,294,033				3,449,557
Distribution Expense		53,824	302,874	28,124			384,822
General Expense	350,285	194,768	274,933	283,241	139,794	573,954	1,816,975
Depreciation	16,776	283,769	6,957	265,042	67,235	47,140	686,919
Total Operating Expenses	367,061	687,885	3,878,797	576,407	207,029	621,094	6,338,273
Operating Income (Loss)	252,014	(199,618)	664,632	(210,492)	58,648	(35,434)	529,750
NONOPERATING REVENUE (EXPENSE)							
Interest on Investments					21,259		21,259
Other Income	1,342	18,106	188,014			5,633	213,095
Interest Expense					(11,706)	(8,018)	(19,724)
Total Nonoperating Revenue (Expense)	1,342	18,106	188,014		9,553	(2,385)	214,630
Net Income (Loss) before Transfers	253,356	(181,512)	852,646	(210,492)	68,201	(37,819)	744,380
TRANSFERS OUT	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Change in Net Position	33,356	(218,512)	432,646	(245,492)	32,130	(82,819)	(48,691)
TOTAL NET POSITION, JANUARY 1	1,570,221	1,804,996	5,642,050	2,529,725	1,770,913	660,688	13,978,593
TOTAL NET POSITION, DECEMBER 31	\$ 1,603,577	\$ 1,586,484	\$ 6,074,696	\$ 2,284,233	\$ 1,803,043	\$ 577,869	\$ 13,929,902

See Notes to the Financial Statements

**CITY OF ROSEAU, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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	\$ 2,164,033	\$ 487,105	\$ 4,499,344	\$ 366,080	\$ 262,185	\$ 576,271	\$ 8,355,018
Payments to Suppliers	(1,697,145)	(208,336)	(3,659,094)	(110,631)	(128,581)	(289,138)	(6,092,925)
Payments to Employees	(240,726)	(201,463)	(123,296)	(201,461)		(293,396)	(1,060,342)
Net Cash Provided by Operating Activities	<u>226,162</u>	<u>77,306</u>	<u>716,954</u>	<u>53,988</u>	<u>133,604</u>	<u>(6,263)</u>	<u>1,201,751</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Nonoperating Revenue	1,344	18,106	155,643			5,632	180,725
Transfers to Other Funds	(220,000)	(37,000)	(420,000)	(35,000)	(36,071)	(45,000)	(793,071)
Due From Other Funds			(604,864)				(604,864)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(218,656)</u>	<u>(18,894)</u>	<u>(869,221)</u>	<u>(35,000)</u>	<u>(36,071)</u>	<u>(39,368)</u>	<u>(1,217,210)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Asset		(5,736)	(109,000)			(276,900)	(391,636)
Loan Proceeds						276,900	276,900
Payment of Long-Term Debt					(15,999)	(59,926)	(75,925)
Interest on Long-Term Debt					(11,706)		(11,706)
Net Cash Used by Capital and Related Financing Activities		<u>(5,736)</u>	<u>(109,000)</u>		<u>(27,705)</u>	<u>(59,926)</u>	<u>(202,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Tax and Insurance Escrow, Net - MN Housing					(19,145)		(19,145)
Deposits into Reserve Accounts - MN Housing					(26,237)		(26,237)
Interest Earnings					1,169		1,169
Net Cash Provided by Investing Activities					<u>(44,213)</u>		<u>(44,213)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,506</u>	<u>52,676</u>	<u>(261,267)</u>	<u>18,988</u>	<u>25,615</u>	<u>(105,557)</u>	<u>(262,039)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<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>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 741,564</u>	<u>\$ 615,892</u>	<u>\$ 4,221,135</u>	<u>\$ 816,544</u>	<u>\$ 105,823</u>	<u>\$ 541,291</u>	<u>\$ 7,042,249</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash							
Cash and Investments	\$ 741,564	\$ 615,892	\$ 4,221,135	\$ 816,544	\$ 82,473	\$ 541,291	\$ 7,018,899
Restricted Cash - Tenant Security Deposits					23,350		23,350
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 741,564</u>	<u>\$ 615,892</u>	<u>\$ 4,221,135</u>	<u>\$ 816,544</u>	<u>\$ 105,823</u>	<u>\$ 541,291</u>	<u>\$ 7,042,249</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, 2025**

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)	\$ 252,014	\$ (199,618)	\$ 664,632	\$ (210,492)	\$ 58,648	\$ (35,434)	\$ 529,750
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities							
Depreciation	16,776	283,769	6,957	265,042	67,235	47,140	686,919
Change in:							
Accounts Receivable	(7,765)	(1,162)	(44,715)	165	(8,371)	(9,388)	(71,236)
Prepaid Expenses					12,391		12,391
Inventory	(9,460)		28,075				18,615
Deferred Outflows	(6,308)	(4,368)	(2,667)	(4,366)		(7,036)	(24,745)
Accounts Payable	(10,474)	(2,296)	60,174	2,738	(1,177)	(101)	48,864
Prepaid Rent					1,485		1,485
Due to Other Governments	1,457	80	2,659			1,410	5,606
Other Current Liabilities	220		4,064		3,393		7,677
Unearned Revenue	223		630				853
Compensated Absences	(700)	7,700	1,300	7,700		8,100	24,100
Net Pension Liability	(3,393)	(2,349)	(1,436)	(2,349)		(3,784)	(13,311)
Deferred Inflows	(6,428)	(4,450)	(2,719)	(4,450)		(7,170)	(25,217)
Total Adjustments	<u>(25,852)</u>	<u>276,924</u>	<u>52,322</u>	<u>264,480</u>	<u>74,956</u>	<u>29,171</u>	<u>672,001</u>
Net Cash Provided by Operating Activities	\$ <u>226,162</u>	\$ <u>77,306</u>	\$ <u>716,954</u>	\$ <u>53,988</u>	\$ <u>133,604</u>	\$ <u>(6,263)</u>	\$ <u>1,201,751</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, 2025**

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, 2025**

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 \$300,000.

I. Short-term Interfund Receivables/Payables

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

J. Inventories

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

K. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The government reports infrastructure assets on a network basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. General infrastructure assets acquired prior to January 1, 2004, are not reported in the basic financial statements.

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

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

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

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

L. Sales Tax

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

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, 2025,

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

and is expected to be taken by December 31, 2025, is considered a current liability and is accrued in the December 31, 2025 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 called back after their regularly scheduled shift. Compensatory time is accrued as a current liability as it is to be used within one year, except for police who can carry over 80 hours.

Regular full-time employees earn 96 hours of paid sick leave each year (8 hours per month) accumulative to 90 days (720) hours. After the accrual of 90 days, each employee shall accumulate 2 hours per month as added sick leave and 6 hours per month as bonus hours. For any employee eligible to receive bonus hours, any sick leave taken during the year shall be subtracted first from their total number of bonus hours accrued for the year (72 hours or actual amount of bonus hours accrued if employed for less than 12 months in the year) and then from remaining sick leave. Bonus hours are paid out in January for any hours not used for sick leave in the previous year.

When an employee leaves employment they are only eligible for 360 hours of sick payout.

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.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item that qualifies for reporting in this category is named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

R. Fund Equity

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

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

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, 2025**

NOTE 2. DEFICIT FUND BALANCE/NET POSITION

Deficit fund balance/net position of individual funds at December 31, 2025, is as follows:

General Fund	\$267,819
Capital Projects Fund	238,420

The deficit of the General Fund is expected to be eliminated through future revenues or transfers from proprietary funds and the Capital Projects Fund deficit is expected to be eliminated through a transfer from another fund once the project is complete.

NOTE 3. DEPOSITS AND INVESTMENTS

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

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

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

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

As of December 31, 2025, the City held no investments.

Custodial Credit Risk – Deposits – The City does not have a formal custodial credit risk policy. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. The City was not exposed to custodial credit risk as of December 31, 2025.

NOTE 4. NOTES RECEIVABLE

Primary Government

At December 31, 2025, 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.

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

Discretely Presented Component Unit – EDA

At December 31, 2025, the notes receivable consisted of promissory notes from various businesses and individuals and totaled \$853,131. The promissory notes have various maturity dates and interest rates. The provision for uncollectible notes on the statement of net position was \$190,000.

NOTE 5. CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended December 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,713,502	\$	\$	\$ 12,713,502
Construction In Process	616,663	4,283,025	208,138	4,691,550
Total Capital Assets, Not Being Depreciated	<u>13,330,165</u>	<u>4,283,025</u>	<u>208,138</u>	<u>17,405,052</u>
Capital Assets, Being Depreciated:				
Buildings	18,097,500	969,180		19,066,680
Improvements Other Than Buildings	29,818,275	254,188		30,072,463
Machinery and Equipment	4,280,956	1,273,496		5,554,452
Total Capital Assets, Being Depreciated	<u>52,196,731</u>	<u>2,496,864</u>		<u>54,693,595</u>
Less: Accumulated Depreciation For:				
Buildings	6,679,652	453,013		7,132,665
Improvements Other Than Buildings	13,126,536	969,825		14,096,361
Machinery and Equipment	2,982,430	224,403		3,206,833
Total Accumulated Depreciation	<u>22,788,618</u>	<u>1,647,241</u>		<u>24,435,859</u>
Total Capital Assets, Being Depreciated, Net	<u>29,408,113</u>	<u>849,623</u>		<u>30,257,736</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,738,278</u>	<u>\$ 5,132,648</u>	<u>\$ 208,138</u>	<u>\$ 47,662,788</u>

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 292,613	\$	\$	\$ 292,613
Capital Assets, Being Depreciated:				
Improvements Other Than Buildings	162,905			162,905
Buildings	3,213,876			3,213,876
Plant and Equipment	17,733,479	114,736		17,848,215
Machinery and Equipment	797,665	276,900		1,074,565
Total Capital Assets, Being Depreciated	<u>21,907,925</u>	<u>391,636</u>		<u>22,299,561</u>
Less: Accumulated Depreciation For:				
Improvements Other Than Buildings	96,211	3,745		99,956
Buildings	1,287,137	66,573		1,353,710
Plant and Equipment	14,760,701	555,767		15,316,468
Machinery and Equipment	606,786	60,834		667,620
Total Accumulated Depreciation	<u>16,750,835</u>	<u>686,919</u>		<u>17,437,754</u>
Total Capital Assets, Being Depreciated, Net	<u>5,157,090</u>	<u>(295,283)</u>		<u>4,861,807</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,449,703</u>	<u>\$ (295,283)</u>		<u>\$ 5,154,420</u>

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

Governmental Activities:	
General Government	\$ 67,354
Public Safety	110,207
Public Works, including depreciation of general infrastructure assets	794,437
Culture and Recreation	389,421
Economic Development	10,344
Airport	275,478
Total Depreciation Expenses - Governmental Activities	<u>\$ 1,647,241</u>
Business-type Activities:	
Municipal Liquor Store	\$ 16,776
Water	283,769
Electric	6,957
Sewer Service	265,042
Roseau Court Townhomes	67,235
Garbage Collections	47,140
Total Depreciation Expense - Business-type Activities	<u>\$ 686,919</u>

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

Discretely Presented Component Unit – EDA

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2025, 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	351,752	151,644	_____	503,396
Total Accumulated Depreciation	<u>351,752</u>	<u>151,644</u>	<u>_____</u>	<u>503,396</u>
Total Capital Assets, Being Depreciated, Net	<u>5,714,000</u>	<u>(151,644)</u>	<u>_____</u>	<u>5,562,356</u>
Component Unit Capital Assets, Net	<u>\$ 5,714,000</u>	<u>\$ (151,644)</u>	<u>\$ _____</u>	<u>\$ 5,562,356</u>

NOTE 6. CONTINGENT LIABILITIES

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2025, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 7. DEFINED BENEFIT PENSION PLANS

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

Plan Description – The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025**

Benefits Provided – PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. 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 2025 annual increase was 1.25 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 2025, 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, 2025, were \$104,018. 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 2025 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

and Fire Fund for the year ended December 31, 2025, were \$95,156. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2025, the City reported a liability of \$489,225 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 \$11,787.

City's proportionate share of net pension liability	\$	489,225
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>11,787</u>
Total	\$	<u><u>501,012</u></u>

The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0148% at the end of the measurement period and 0.0139% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of \$(20,091) for its proportionate share of General Employee Plan's pension expense. In addition, the City recognized an additional \$(1,811) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 46,612	\$
Difference between projected and actual investment earnings		194,668
Changes in actuarial assumptions	11,787	112,569
Changes in proportion	35,759	12,034
Contributions paid to PERA subsequent to the measurement date	<u>52,009</u>	
Total	<u>\$ 146,167</u>	<u>\$ 319,271</u>

The \$52,009 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2026	\$ (61,449)
2027	(50,878)
2028	(49,307)
2029	(63,479)

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

At December 31, 2025, the City reported a liability of \$429,428 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0367% at the end of the measurement period and 0.0328% for the beginning of the period.

The State of Minnesota also contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,878.

City's proportionate share of net pension liability	\$	429,428
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>14,878</u>
Total	\$	<u><u>444,306</u></u>

For the year ended December 31, 2025, the City recognized pension expense of \$93,535 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$7,283 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 \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$3,411 for the year ended December 31, 2025 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, 2025, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 198,410	\$
Difference between projected and actual investment earnings		191,661
Changes in actuarial assumptions	325,646	538,058
Changes in proportion	61,002	82,450
Contributions paid to PERA subsequent to the measurement date	<u>47,578</u>	
Total	<u>\$ 632,636</u>	<u>\$ 812,169</u>

The \$47,578 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, 2026. 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, 2025

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2026	\$ (50,423)
2027	(49,869)
2028	(52,876)
2029	(43,178)
2030	(30,765)

The total pension expense for all plans recognized by the City for the year ended December 31, 2025 was \$73,444.

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

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

Actuarial Methods and Assumptions – The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, 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 1.5% 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 11.5% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 10.75% after one year of service to 3.0% after 23 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The 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. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025**

- 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:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Discount Rate – The discount rate used to measure the total pension liability in 2025 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. 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, 2025

	City Proportionate Share of NPL		
	1% Decrease	Current	1% Increase
	(6.0%)	(7.0%)	(8.0%)
General Employees Plan	\$ 1,188,250	\$ 489,225	\$ (77,842)
Police and Fire Fund	1,125,197	429,428	(141,905)

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 8. LONG-TERM DEBT

Primary Government

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

The City has the following loans:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Loans Payable	2.23-4.95%	2026/34	\$ 1,338,253
			<u>\$ 1,338,253</u>
<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
MN Housing Finance Agency	5.72%	2026/35	\$ 195,915
Loans Payable	4.86%	2026/29	216,974
			<u>\$ 412,889</u>

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
2026	\$ 183,973	\$ 59,806	\$ 67,334	\$ 21,456
2027	191,755	52,024	70,811	17,979
2028	199,895	43,884	74,470	14,321
2029	208,412	35,369	78,318	10,472
2030	146,595	26,460	21,282	6,424
2031-2035	407,623	52,879	100,674	12,457
	<u>\$ 1,338,253</u>	<u>\$ 270,422</u>	<u>\$ 412,889</u>	<u>\$ 83,109</u>

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 321,954	\$ 1,251,542	\$ 235,243	\$ 1,338,253	\$ 183,973
Compensated Absences*	205,958		5,800	200,158	50,050
Governmental Activity					
Long-term Liabilities	<u>\$ 527,912</u>	<u>\$ 1,251,542</u>	<u>\$ 241,043</u>	<u>\$ 1,538,411</u>	<u>\$ 234,023</u>
<u>Business-type Activities</u>					
Other Long-term Obligations					
Loans Payable	\$ 211,914	\$ 276,900	\$ 75,925	\$ 412,889	\$ 67,334
Compensated Absences*	92,200	24,100		116,300	29,075
Business-type Activity					
Long-term Liabilities	<u>\$ 304,114</u>	<u>\$ 301,000</u>	<u>\$ 75,925</u>	<u>\$ 529,189</u>	<u>\$ 96,409</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, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within
<u>Component Unit Activities</u>					
Revenue Bonds Payable	\$ 4,007,610		\$ 140,117	\$ 3,867,493	\$ 144,251
Loan Payable	272,004		3,298	268,706	10,058
Total Component Unit Activities	<u>\$ 4,279,614</u>	<u>\$</u>	<u>\$ 143,415</u>	<u>\$ 4,136,199</u>	<u>\$ 154,309</u>

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

Year Ending December 31	Component Unit	
	Principal	Interest
2026	\$ 10,058	\$ 6,603
2027	10,313	6,348
2028	10,574	6,087
2029	10,842	5,820
2030	11,116	5,546
2031-2035	59,941	23,318
2036-2040	67,912	15,395
2041-2045	76,944	6,363
2046	11,006	103
	<u>\$ 268,706</u>	<u>\$ 75,583</u>

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025**

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

Year Ending December 31	Component Unit	
	Principal	Interest
2026	\$ 144,251	\$ 96,337
2027	147,950	92,638
2028	151,493	89,095
2029	155,629	84,959
2030	159,620	80,968
2031	3,108,550	51,640
	<u>\$ 3,867,493</u>	<u>\$ 495,637</u>

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

NOTE 9. CONDUIT DEBT (NO COMMITMENT DEBT)

The City has issued a Municipal Industrial Development Revenue Act Bond to provide financial assistance to a corporation for the construction of a facility deemed to be in the public interest. This Bond is secured by an assignment of the Loan Agreement, a Guaranty Agreement and a Mortgage, Security Agreement and Fixture Financing Statement. Accordingly, the Bond is not reported as a liability in the accompanying financial statements.

As of December 31, 2025, the aggregate principal amount payable of the one series issued was \$1,270,079.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2025, is as follows:

Due from / to other funds:

Receivable	Payable	Amount
Electric	Capital Projects	\$ 1,241,376
Electric	General	388,632
Nonmajor	Nonmajor	22,635
		<u>\$ 1,652,643</u>

The amount payable is to cover cash deficits on December 31, 2025.

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
Capital Project	General	913,479
		<u>\$ 1,706,550</u>

Transfers into the General Fund are used to move unrestricted revenues to finance various programs that the government must account for in other funds. Transfers into the Capital Project Fund are to provide the City's required grant match.

NOTE 11. DUE FROM COMPONENT UNIT TO PRIMARY GOVERNMENT

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

NOTE 12. DEFERRED COMPENSATION PLAN AND TRUST

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

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

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters. The City participates with other cities in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its liability, property, automobile, and workers' compensation coverage. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the City's insurance coverage in 2025.

NOTE 14. SIGNIFICANT CUSTOMER

The City has a significant customer, which represents about 16% of the water utility billings and 8% of sewer billings.

NOTE 15. CONSTRUCTION COMMITMENT

At December 31, 2025, the City has approximately \$1.11 million in construction commitments related to the pedestrian bridge. The City also awarded a \$3.2 million runway expansion contract set to be completed in 2026.

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. 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.

CITY OF ROSEAU, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2025

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. 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, 2025**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Property Taxes	\$ 1,215,323	\$ 1,217,643	\$ 2,320
Franchise Fee	42,000	39,698	(2,302)
Special Assessments	35,000	71,483	36,483
Licenses and Permits	36,300	38,133	1,833
Intergovernmental			
Federal		270,996	270,996
State			
Local Government Aid	897,665	924,946	27,281
Market Value Credit		151	151
Police Aid	80,000	76,414	(3,586)
Fire Aid	58,000	68,022	10,022
Aviation Maintenance Aid	35,758	23,034	(12,724)
Other State Aid	395,600	344,521	(51,079)
	<u>1,467,023</u>	<u>1,708,084</u>	<u>241,061</u>
Charges for Services			
General Government	33,000	38,584	5,584
Public Safety	92,208	91,998	(210)
Culture and Recreation	79,500	76,890	(2,610)
Airport	60,000	64,136	4,136
	<u>264,708</u>	<u>271,608</u>	<u>6,900</u>
Fines and Forfeitures	7,800	8,068	268
Miscellaneous			
Interest on Investments	75,000	145,638	70,638
Contributions	5,000	15,029	10,029
Reimbursements	30,000	104,608	74,608
Other Receipts	59,000	9,112	(49,888)
	<u>169,000</u>	<u>274,387</u>	<u>105,387</u>
Total Revenues	<u>3,237,154</u>	<u>3,629,104</u>	<u>391,950</u>
EXPENDITURES			
General Government			
Mayor and Council	43,277	48,605	(5,328)
Finance / Administration	113,829	114,583	(754)
Independent Auditors	7,700	8,656	(956)
Assessor	16,700	16,546	154
Legal Services	124,650	124,028	622
Planning, Zoning, Economic Development	155,086	157,768	(2,682)
Municipal Building	104,730	94,416	10,314
Miscellaneous	54,000	52,727	1,273
Capital Outlay	20,000		20,000
	<u>639,972</u>	<u>617,329</u>	<u>22,643</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, 2025**

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES - Continued			
Public Safety			
Police	1,217,867	1,102,212	115,655
Fire	238,155	268,759	(30,604)
Building Inspector	54,000	36,957	17,043
Emergency Services	9,650	9,020	630
Capital Outlay		504,447	(504,447)
	<u>1,519,672</u>	<u>1,921,395</u>	<u>(401,723)</u>
Public Works			
Streets and Highways	483,657	462,396	21,261
Snow and Ice Removal	46,100	24,150	21,950
Street Lighting and Signals	21,000	10,930	10,070
Capital Outlay	494,500	45,662	448,838
	<u>1,045,257</u>	<u>543,138</u>	<u>502,119</u>
Culture and Recreation			
Library and Museum	139,797	128,783	11,014
Parks and Recreation	577,671	643,839	(66,168)
Capital Outlay - Parks and Recreation	1,232,000	1,223,862	8,138
	<u>1,949,468</u>	<u>1,996,484</u>	<u>(47,016)</u>
Economic Development			
Current Expenditures	55,053	108,100	(53,047)
Capital Outlay	19,310	90,680	(71,370)
	<u>74,363</u>	<u>198,780</u>	<u>(124,417)</u>
Airport			
Current Expenditures	107,773	130,759	(22,986)
Capital Outlay	5,000	103,117	(98,117)
	<u>112,773</u>	<u>233,876</u>	<u>(121,103)</u>
Debt Service			
Principal	58,000	235,243	(177,243)
Interest	2,000	8,537	(6,537)
	<u>60,000</u>	<u>243,780</u>	<u>(183,780)</u>
Total Expenditures	<u>5,401,505</u>	<u>5,754,782</u>	<u>(353,277)</u>
REVENUES UNDER EXPENDITURES	<u>(2,164,351)</u>	<u>(2,125,678)</u>	<u>38,673</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,000	793,071	757,071
Sale of Capital Asset	2,500	14,500	12,000
Debt Issued		1,251,542	1,251,542
Transfers Out	(53,200)	(913,479)	(860,279)
Total Other Financing Sources (Uses)	<u>(14,700)</u>	<u>1,145,634</u>	<u>1,160,334</u>
NET CHANGE IN FUND BALANCE	(2,179,051)	(980,044)	1,199,007
FUND BALANCE, JANUARY 1	<u>712,225</u>	<u>712,225</u>	
FUND BALANCE, DECEMBER 31	<u>\$ (1,466,826)</u>	<u>\$ (267,819)</u>	<u>\$ 1,199,007</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	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
	2025	104,018	104,018		1,386,907	7.50
Police and Fire Fund	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
	2025	95,156	95,156		537,605	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	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
	2025	0.0148	489,225	11,787	501,012	1,313,661	38.14	90.78
Police and Fire Fund	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
	2025	0.0367	429,428	14,878	444,306	529,207	83.96	91.78

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 2025.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2025, expenditures exceeded appropriations by \$353,277 in the General Fund.

NOTE 3. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2025 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

2025 Changes

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.

CITY OF ROSEAU, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025

- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**CITY OF ROSEAU, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2025**

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	\$ 29,268	\$ 79,906	\$ 51,085	\$ 118,151	\$ 4,499	\$ 29,793	\$ 312,702
Notes Receivable	72,166						72,166
Due From Other Funds				22,635			22,635
TOTAL ASSETS	\$ 101,434	\$ 79,906	\$ 51,085	\$ 140,786	\$ 4,499	\$ 29,793	\$ 407,503
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$	\$ 784	\$	\$ 3,851	\$ 2,658	\$ 6,400	\$ 13,693
Due To Other Funds	22,635						22,635
Total Liabilities	22,635	784		3,851	2,658	6,400	36,328
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Notes Receivable	72,166						72,166
Total Deferred Inflows of Resources	72,166						72,166
Fund Balances							
Restricted for							
Economic Development		79,122	51,085				130,207
Committed for							
Economic Development	6,633						6,633
Birding Trail					1,841		1,841
Public Safety						23,393	23,393
Assigned for Economic Development				136,935			136,935
Total Fund Balances	6,633	79,122	51,085	136,935	1,841	23,393	299,009
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 101,434	\$ 79,906	\$ 51,085	\$ 140,786	\$ 4,499	\$ 29,793	\$ 407,503

**CITY OF ROSEAU, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2025**

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	\$	\$	\$ 135,392	\$	\$	\$	\$ 135,392
Hotel / Motel Tax		61,668					61,668
Intergovernmental - State		4,000			4,000		8,000
Miscellaneous							
Contributions	18,073				6,500		24,573
Rents				38,808			38,808
Miscellaneous	40,188					20,000	60,188
Total Revenues	<u>58,261</u>	<u>65,668</u>	<u>135,392</u>	<u>38,808</u>	<u>10,500</u>	<u>20,000</u>	<u>328,629</u>
EXPENDITURES							
Current							
Public Safety						24,379	24,379
Culture and Recreation	40,091				14,204		54,295
Economic Development	12,968	87,407	131,193	7,161			238,729
Capital Outlay							
Culture and Recreation					1,785		1,785
Economic Development				3,340			3,340
Total Expenditures	<u>53,059</u>	<u>87,407</u>	<u>131,193</u>	<u>10,501</u>	<u>15,989</u>	<u>24,379</u>	<u>322,528</u>
NET CHANGE IN FUND BALANCES	5,202	(21,739)	4,199	28,307	(5,489)	(4,379)	6,101
FUND BALANCE, JANUARY 1	<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>
FUND BALANCE, DECEMBER 31	\$ <u>6,633</u>	\$ <u>79,122</u>	\$ <u>51,085</u>	\$ <u>136,935</u>	\$ <u>1,841</u>	\$ <u>23,393</u>	\$ <u>299,009</u>

**CITY OF ROSEAU, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS
 DECEMBER 31, 2025**

Exhibit B-3

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 457,434	\$ 377,234	\$ 834,668
Accounts Receivable		6,399	6,399
Notes Receivable (Net of Allowance)	663,131		663,131
Capital Assets			
Buildings		6,065,752	6,065,752
Less: Accumulated Depreciation		(503,396)	(503,396)
Total Capital Assets		<u>5,562,356</u>	<u>5,562,356</u>
TOTAL ASSETS	<u>1,120,565</u>	<u>5,945,989</u>	<u>7,066,554</u>
LIABILITIES			
Current Liabilities			
Accounts Payable		5,632	5,632
Customer Deposits		37,198	37,198
Prepaid Rent		9,175	9,175
Interest Payable		8,627	8,627
Long-Term Debt Due Within One Year		154,309	154,309
Total Current Liabilities		<u>214,941</u>	<u>214,941</u>
Noncurrent Liabilities			
Due to Primary Government		272,004	272,004
Loan Payable - HRA		268,706	268,706
Revenue Bond Payable		3,713,184	3,713,184
Total Noncurrent Liabilities		<u>4,253,894</u>	<u>4,253,894</u>
TOTAL LIABILITIES		<u>4,468,835</u>	<u>4,468,835</u>
NET POSITION			
Net Investment in Capital Assets		1,154,153	1,154,153
Unrestricted	1,120,565	323,001	1,443,566
TOTAL NET POSITION	<u>\$ 1,120,565</u>	<u>\$ 1,477,154</u>	<u>\$ 2,597,719</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, 2025**

Exhibit B-4

	<u>Economic Development</u>	<u>Apartments</u>	<u>Totals</u>
OPERATING REVENUES			
Tenant Rent and Other Charges	\$ _____	\$ 460,205	\$ 460,205
Total Operating Revenues	<u>_____</u>	<u>460,205</u>	<u>460,205</u>
OPERATING EXPENSES			
Economic Development	154,069		154,069
Housing		253,929	253,929
Depreciation	<u>_____</u>	<u>151,644</u>	<u>151,644</u>
Total Operating Expenses	<u>154,069</u>	<u>405,573</u>	<u>559,642</u>
Operating Income (Loss)	(154,069)	54,632	(99,437)
NONOPERATING REVENUE (EXPENSE)			
Interest Earnings	23,711	6,264	29,975
Property Taxes		54,149	54,149
Other Income	110,000	17,730	127,730
Interest Expense	<u>_____</u>	<u>(102,727)</u>	<u>(102,727)</u>
Total Nonoperating Revenue (Expense)	<u>133,711</u>	<u>(24,584)</u>	<u>109,127</u>
Change in Net Position	(20,358)	30,048	9,690
Net Position, Beginning	<u>1,140,923</u>	<u>1,447,106</u>	<u>2,588,029</u>
Net Position, Ending	<u>\$ 1,120,565</u>	<u>\$ 1,477,154</u>	<u>\$ 2,597,719</u>

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Debt Issue</u>	<u>Sale of Capital Asset</u>	<u>Ending Balance</u>
Governmental Funds								
General	\$ 712,225	\$ 3,629,104	\$ 5,754,782	\$ 793,071	\$ 913,479	\$ 1,251,542	\$ 14,500	\$ (267,819)
Special Revenue								
Community and Economic Development	1,431	58,261	53,059					6,633
Lodging Tax	100,861	65,668	87,407					79,122
T.I.F.	46,886	135,392	131,193					51,085
EDA Building	108,628	38,808	10,501					136,935
Pine To Prairie Birding Trail	7,330	10,500	15,989					1,841
Roseau PD	27,772	20,000	24,379					23,393
Capital Projects	(899,892)	4,633,406	4,885,413	913,479				(238,420)
Total Governmental Funds	<u>105,241</u>	<u>8,591,139</u>	<u>10,962,723</u>	<u>1,706,550</u>	<u>913,479</u>	<u>1,251,542</u>	<u>14,500</u>	<u>(207,230)</u>
Proprietary Funds								
Municipal Liquor Store	1,570,221	2,172,917	1,919,561		220,000			1,603,577
Water	1,804,996	506,373	687,885		37,000			1,586,484
Electric	5,642,050	4,731,443	3,878,797		420,000			6,074,696
Sewer Service	2,529,725	365,915	576,407		35,000			2,284,233
Roseau Court Townhomes	1,770,913	286,936	218,735		36,071			1,803,043
Garbage Collection	660,688	591,293	629,112		45,000			577,869
Total Proprietary Funds	<u>13,978,593</u>	<u>8,654,877</u>	<u>7,910,497</u>		<u>793,071</u>			<u>13,929,902</u>
Total Primary Government	<u>\$ 14,083,834</u>	<u>\$ 17,246,016</u>	<u>\$ 18,873,220</u>	<u>\$ 1,706,550</u>	<u>\$ 1,706,550</u>	<u>\$ 1,251,542</u>	<u>\$ 14,500</u>	<u>\$ 13,722,672</u>
Component Unit								
Economic Development Authority								
Economic Development	\$ 1,140,923	\$ 133,711	\$ 154,069	\$	\$	\$	\$	\$ 1,120,565
Apartments	1,447,106	538,348	508,300					1,477,154
Total Component Unit	<u>\$ 2,588,029</u>	<u>\$ 672,059</u>	<u>\$ 662,369</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,597,719</u>

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2025**

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Balance 12/31/2024</u>	<u>Issued 2025</u>	<u>Retired 2025</u>	<u>Balance 12/31/2025</u>	<u>Principal 2026</u>	<u>Interest 2026</u>
Primary Government										
Loans										
Mortgage Note	5.72%	8/1/2004	7/1/2035	\$ 396,923	\$ 211,914	\$	\$ 15,999	\$ 195,915	\$ 16,939	\$ 10,767
Kinetic Loan	2.23%	5/3/2021	6/1/2030	525,000	321,954		50,741	271,213	51,874	6,056
Arena Improvement	4.95%	8/1/2025	8/1/2034	931,095		931,095	115,125	815,970	73,806	41,319
Garbage Truck	4.86%	3/3/2025	4/1/2029	276,900		276,900	59,926	216,974	50,395	10,690
Fire Truck	4.86%	3/3/2025	4/1/2029	320,447		320,447	69,377	251,070	58,293	12,432
Total					<u>533,868</u>	<u>1,528,442</u>	<u>311,168</u>	<u>1,751,142</u>	<u>251,307</u>	<u>81,264</u>
Total Indebtedness					<u>\$ 533,868</u>	<u>\$ 1,528,442</u>	<u>\$ 311,168</u>	<u>\$ 1,751,142</u>	<u>\$ 251,307</u>	<u>\$ 81,264</u>
Discretely Presented Component Unit										
Revenue Bonds Payable	2.50%	8/11/2021	8/1/2046	\$ 4,200,000	\$ 4,007,610	\$	\$ 140,117	\$ 3,867,493	\$ 144,251	\$ 86,337
HRA Loan	0.25%	8/11/2021	8/1/2046	272,004	<u>272,004</u>		<u>3,298</u>	<u>268,706</u>	<u>10,058</u>	<u>6,603</u>
Total Indebtedness					<u>\$ 4,279,614</u>	<u>\$</u>	<u>\$ 143,415</u>	<u>\$ 4,136,199</u>	<u>\$ 154,309</u>	<u>\$ 92,940</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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2026. 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
GRAND FORKS, NORTH DAKOTA

March 18, 2026

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2026. See Independent Auditor's Report for modifications on various opinion units.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 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 and questioned costs. 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
GRAND FORKS, NORTH DAKOTA

March 18, 2026

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Roseau's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Roseau's major federal programs for the year ended December 31, 2025. City of Roseau's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Roseau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Roseau and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Roseau's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Roseau's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Roseau's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance

with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Roseau's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Roseau's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Roseau's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Roseau's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

March 18, 2026

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed-Through MN Department of Transportation:			
Airport Improvement Program	20.106	SP 6801-45	\$ 77,695
Airport Improvement Program	20.106	SP 6801-48	14,702
Airport Improvement Program	20.106	SP 6801-49	<u>327,295</u>
Total 20.106			<u>419,692</u>
Highway Planning and Construction	20.205		500,000
Passed-Through Roseau County:			
Highway Planning and Construction	20.205		85,975
Highway Planning and Construction	20.205		<u>470,996</u>
Total 20.205			<u>1,056,971</u>
Total U.S. Department of Transportation			<u>1,476,663</u>
<u>U.S. Department of Justice</u>			
Direct Award			
Bulletproof Vest Partnership Program	16.607		<u>435</u>
Total U.S. Department of Justice			<u>435</u>
<u>U.S. Department of Homeland Security</u>			
Direct Award			
Fire Assistance	97.044		174,775
Passed-Through MN Department of Public Safety:			
Disaster Grant	97.036	DR4659	<u>3,389</u>
Total U.S. Department of Commerce			<u>178,164</u>
<u>U.S. Department of Commerce</u>			
Direct Award			
Economic Adjustment Assistance Program	11.307		<u>1,304,053</u>
Total U.S. Department of Commerce			<u>1,304,053</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,959,315</u>

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF ROSEAU, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2. INDIRECT COST RATE

The City has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of City of Roseau, under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Roseau.

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2025**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Qualified and Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

11.307 Economic Adjustment Assistance Program
20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee? yes x no

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2025**

Section II-Financial Statement Findings

2025-001 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.

Repeat Finding

Yes. Prior audit finding 2024-001.

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.

Section III-Federal Award Findings and Questioned Costs

There are no findings to report in this section.

**CITY OF ROSEAU, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2025**

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.

Corrective Action Taken

No action taken. See current year finding 2025-001 and Corrective Action Plan.



**CITY OF ROSEAU, MINNESOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2025**

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

218.463.1542
218.463.1252 FAX
cityclerk@mncable.net

2025-001 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

City Council

Dan Fabian-Mayor
Amy Bassingthwaite
Oliver Ullman
Pat Novacek
Brady Johnson

City Dept. Heads

Todd Peterson
Community Dev. Coord.

Gary Przekwas
City Superintendent

Marc Hodge
Chief of Police

Niki Johnson
Liquor Store Manager

Leon Huot
Fire Chief

Administrative Staff

Elizabeth Carlson
City Clerk-Treasurer

www.city.roseau.mn.us

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Employer