CITY OF BLACKDUCK, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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CITY OF BLACKDUCK, MINNESOTA
OFFICIAL DIRECTORY
YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

		Term Expires
Mayor	Maxwell Gullette	December 31, 2026
Vice-Mayor	Nick Seitz	December 21, 2028
Council	Donald Johnson	December 21, 2028
	Ronald Fredrickson	December 21, 2026
	Laurie Hamilton	December 21, 2026
Administrator	Christina Regas	Appointive

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
City of Blackduck
Blackduck, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Blackduck's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Blackduck 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 audit opinions.

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 of Blackduck'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.

Auditors' 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 auditors' 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 of Blackduck'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 of Blackduck'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.

Honorable Mayor and
Members of City Council
City of Blackduck

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the City's proportionate share of the net pension liability, schedules of pension contributions, the schedule of changes in net position liability and related ratios – Blackduck Fire Relief Association, schedule of employer and nonemployer contributions – Blackduck Fire Relief Association, schedule of investment returns – Blackduck Fire Relief Association, the schedule of changes in the total OPEB liability and related ratios, and the budgetary comparisons schedules 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 GAAS, 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 Blackduck's basic financial statements. The combining and individual fund financial statements and schedules 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 relates 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' 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.

Honorable Mayor and
Members of City Council
City of Blackduck

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2026, on our consideration of the City of Blackduck's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 of Blackduck'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 Blackduck's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 4, 2026

This discussion is intended to be an easily readable analysis of the City of Blackduck, Minnesota (the City) financial activities based on currently known facts, decisions, or conditions. This analysis focuses on current year activities. This discussion should be read in conjunction with the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by $ $5,311,682. Of this amount, $905,233 may be used to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.

- The City's governmental funds reported combined ending fund balances of $1,605,907. Of this total amount, approximately 61%, or $972,457 is available for spending at the City's discretion.

- At the end of the year, the total unassigned fund balance for the City's governmental funds was $392,256.

- Total outstanding debt was $3,862,633 at the end of the year. The majority of the debt has primary revenue sources to cover debt service payments from sources other than property taxes. Revenue debt accounts for $3,012,428 or 78% of the bonded debt.

OVERVIEW OF THE FINANCIAL SECTION

This report consists of a series of financial statements. This discussion is intended to serve as an introduction to the City's basic financial statements. The statements consist of three components:

- *Government-Wide Financial Statements* provide information about the activities of the City as a whole and present a longer-term view of City finances.

- *Fund Financial Statements* provide detailed information on significant City funds.

- *Notes to the Financial Statements* provide additional information essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Explanation of these sections of the financial statements follows.

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 private- sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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. You will need to consider other nonfinancial factors, however, to assess the overall health of the City.

OVERVIEW OF THE FINANCIAL SECTION (CONTINUED)

Government-Wide Financial Statements (Continued)

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 the related cash flows.

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Fund financial statements provide detail information about the most significant funds – not the City as a whole. All of the funds of the City can be divided into two categories – governmental and proprietary, each using different accounting approaches.

Governmental Funds

Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance City services. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

Proprietary Funds

The City maintains one type of proprietary fund, enterprise 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 municipal liquor operations and public utility (water and sewer) services.

Proprietary funds provide the same information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

OVERVIEW OF THE FINANCIAL SECTION (CONTINUED)

Notes to Financial Statements

The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. At the end of 2025, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,311,682.

The largest portion of the City's net position, 67%, reflects its Net Investment in Capital Assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statements of Net Position
December 31, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and Other Assets	$ 1,972,103	$ 2,282,265	$ 1,167,446	$ 1,171,768	$ 3,139,549	$ 3,454,033
Capital Assets, Net of Depreciation	5,080,351	4,233,693	2,333,363	2,456,229	7,413,714	6,689,922
Total Assets	7,052,454	6,515,958	3,500,809	3,627,997	10,553,263	10,143,955
DEFERRED OUTFLOWS OF RESOURCES	196,974	206,995	79,052	80,669	276,026	287,664
LIABILITIES						
Long-Term Liabilities Outstanding	3,028,570	2,518,815	1,875,008	1,916,187	4,903,578	4,435,002
Other Liabilities	87,328	248,921	161,744	163,533	249,072	412,454
Total Liabilities	3,115,898	2,767,736	2,036,752	2,079,720	5,152,650	4,847,456
DEFERRED INFLOWS OF RESOURCES	225,351	263,439	139,606	158,618	364,957	422,057
NET POSITION						
Net Investments in Capital Assets	2,493,358	1,894,842	1,085,054	1,104,445	3,578,412	2,999,287
Restricted	793,009	1,354,635	35,028	30,245	828,037	1,384,880
Unrestricted	621,812	442,301	283,421	335,638	905,233	777,939
Total Net Position	$ 3,908,179	$ 3,691,778	$ 1,403,503	$ 1,470,328	$ 5,311,682	$ 5,162,106

A portion of the City's net position, approximately 16%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, $905,233 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Net position of the City's governmental activities increased by $216,401.

Business-Type Activities

Net position of the City's business-type activities decreased by $66,825.

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues:						
Charges for Services	$ 1,260,508	$ 441,024	$ 2,297,011	$ 2,220,976	$ 3,557,519	$ 2,662,000
Operating Grants and Contributions	3,502	3,469	2,310	-	5,812	3,469
Capital Grants and Contributions	249,659	168,000	-	-	249,659	168,000
General Revenues:						
Property Taxes and Special Assessments	532,143	449,641	14,079	13,306	546,222	462,947
Grants and Aids Not Restricted for Specific Programs	411,655	408,495	-	9,189	411,655	417,684
Fines and Fees	60	746	-	-	60	746
Interest Income	39,842	51,905	29,600	27,649	69,442	79,554
Gain on Sale of Capital Assets	-	33,878	-	-	-	33,878
Rental Income	-	1,050	-	33,661	-	34,711
Other	35,230	31,872	7,233	9,851	42,463	41,723
Total Revenues	2,532,599	1,590,080	2,350,233	2,314,632	4,882,832	3,904,712
EXPENSES						
General Government	1,103,775	322,419	-	-	1,103,775	322,419
Public Safety	382,924	387,778	-	-	382,924	387,778
Streets and Highways	324,940	255,964	-	-	324,940	255,964
Economic Development	421,603	345,959	-	-	421,603	345,959
Culture and Recreation	22,404	25,190	-	-	22,404	25,190
Cemetery	21,482	12,645	-	-	21,482	12,645
Interest and Fiscal Fees	92,508	94,255	-	-	92,508	94,255
Municipal Water	-	-	313,423	296,654	313,423	296,654
Municipal Sewage Disposal	-	-	279,128	292,626	279,128	292,626
Municipal Liquor Store	-	-	1,771,069	1,938,085	1,771,069	1,938,085
Total Expenses	2,369,636	1,444,210	2,363,620	2,527,365	4,733,256	3,971,575
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	162,963	145,870	(13,387)	(212,733)	149,576	(66,863)
TRANSFERS	53,438	109,845	(53,438)	(109,845)	-	-
CHANGE IN NET POSITION	216,401	255,715	(66,825)	(322,578)	149,576	(66,863)
Net Position - Beginning of Year	3,691,778	3,417,853	1,470,328	1,792,906	5,162,106	5,210,759
Change Within Financial Reporting Entity (See Note 9)	-	18,210	-	-	-	18,210
NET POSITION - END OF YEAR	$ 3,908,179	$ 3,691,778	$ 1,403,503	$ 1,470,328	$ 5,311,682	$ 5,162,106

For governmental activities, property tax levy, general state aid, and transfers from the municipal liquor store support any shortfalls in direct revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities (Continued)

User fees, or charges for services, support business-type activities almost exclusively. Since public utility activities require significant physical assets to operate, any excess revenues are held for future capital expenditures to keep pace with the growing demand for services and regularly scheduled maintenance and repairs. The municipal liquor store's excess revenue is used in part to off-set revenue shortfalls in the governmental funds. Some of the excess revenue is also held for future capital expenditures.

The water and sewer rates are reviewed on an annual basis to ensure they are sufficient to cover operational, debt service, and depreciation costs. As part of the Water System Improvement Project and the procurement of federal grant and loan funds, the City Council has adopted a Utility Rate Policy, which will incrementally increase the water and sewer rates to ensure they are sufficient to cover expenditures and an increase in debt service.

Financial Analysis of the Government's Funds

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. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2025 fiscal year, the City's governmental funds reported combined fund balances of $1,605,907. Approximately 24.4% of this total amount, or $392,256, constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balances are made up of nonspendable of $41,738, restricted use of $591,712 and designated by the City of $55,604. The restricted funds could be used for the following: $44,081 for debt repayment; $126,913 for capital projects; $177,936 for tax increment financing districts; $34,316 for economic development; $179,143 for equipment, and $29,323 for the Pine Tree Park.

Proprietary Funds

The City's proprietary fund statements found on pages 20 through 23 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are municipal liquor $(319,770), municipal sewage $340,538, and municipal water $262,653. Total net position before operating transfers for the current year ended decreased in the municipal water fund and municipal sewage disposal fund and increased in the municipal liquor store fund.

General Fund Budgetary Highlights

The City did not revise its 2025 budget during the year. The 2025 budget for the General Fund anticipated expenditures and other financing uses in excess of revenues and other financing sources of $781,528. Actual results for the General Fund for 2025 show revenues and other financing sources in excess of expenditures and other financing of $145,733.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounts to $7,413,714 (net of accumulated depreciation and amortization). This investment includes land, buildings, improvements, equipment, and infrastructure.

Statements of Capital Assets
Years Ended December 31, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 520,934	$ 534,228	$ 39,487	$ 39,487	$ 560,421	$ 573,715
Buildings	2,728,556	2,743,063	3,379,002	3,379,002	6,107,558	6,122,065
Furniture, Fixtures, and Equipment	2,045,957	2,035,123	105,435	94,278	2,151,392	2,129,401
Other Improvements	1,435,840	1,416,807	2,995,981	2,995,981	4,431,821	4,412,788
Construction in Progress	1,156,274	-	-	-	1,156,274	-
Right-to-Use Lease - Equipment	87,945	177,312	-	64,384	87,945	241,696
Less: Accumulated Depreciation and Amortization	(2,895,155)	(2,672,840)	(4,186,542)	(4,116,903)	(7,081,697)	(6,789,743)
Total	$ 5,080,351	$ 4,233,693	$ 2,333,363	$ 2,456,229	$ 7,413,714	$ 6,689,922

Additional information on the City's capital assets can be found in Note 2 on pages 39 and 40 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had $3,862,633 in long-term bonds, notes, and leases outstanding, including interfund debt. The full faith and credit of the City backs this debt. However, some of this debt has primary repayment sources other than property taxes. These primary sources include tax increment financing and charges for services.

Statements of Long-Term Debt
Years Ended December 31, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General Obligation:						
Revenue Bonds	$ 1,902,428	$ 1,934,059	$ 1,110,000	$ 1,190,000	$ 3,012,428	$ 3,124,059
Special Assessment Bonds	-	-	-	12,000	-	12,000
Equipment Certificate	543,000	194,000	-	-	543,000	194,000
Leases Payable	12,267	41,965	-	6,997	12,267	48,962
Notes Payable	153,938	168,828	141,000	146,000	294,938	314,828
Total	$ 2,611,633	$ 2,338,852	$ 1,251,000	$ 1,354,997	$ 3,862,633	$ 3,693,849

A total of $193,694 was retired throughout the year. A more detailed breakdown of these obligations can be found in Note 2 on pages 41 through 43.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budget and Rates

The City's elected officials and staff considered many factors when setting the fiscal year 2025 budget, rates, tax levy and fees, and as a result, the 2025 levy increased from 2024. Factors considered by the City included financial support towards required independent financial audit; 2025 Union Labor Agreement; increased operating for the Blackduck License Center; increased funding for the volunteer fire department uniforms and property plant and equipment; and increasing operating for street materials to pace with increasing costs. The City continues to strive to be fiscally responsible and yet maintain existing services to our residents while setting goals for future improvements to the City's infrastructure.

Requests for Information

This financial report is designed to provide a general overview of the City of Blackduck, Minnesota's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Blackduck, P.O. Box 380, Blackduck, MN 56630, or christina.regas@blackduckmn.com.

BASIC FINANCIAL STATEMENTS

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,571,663	$ 838,598	$ 2,410,261
Restricted Cash	23,308	35,028	58,336
Accounts Receivable	5,964	50,736	56,700
Special Assessments Receivable	16,451	122,617	139,068
Due from Other Governments	26,324	-	26,324
Notes Receivable (Net)	16,638	-	16,638
Property Taxes Receivable	34,954	819	35,773
Inventory	-	103,217	103,217
Prepaid Expenses	28,520	16,431	44,951
Net Pension Assets	248,281	-	248,281
Capital Assets:			
Nondepreciable Assets	1,677,208	39,487	1,716,695
Depreciable Capital Assets, Net of Depreciation and Amortization	3,403,143	2,293,876	5,697,019
Total Assets	7,052,454	3,500,809	10,553,263
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	190,622	69,186	259,808
Related to OPEB	6,352	9,866	16,218
Total Deferred Outflows of Resources	196,974	79,052	276,026
LIABILITIES			
Accounts Payable	42,827	79,465	122,292
Sales Tax Payable	-	18,222	18,222
Accrued Interest Payable	22,344	10,086	32,430
Accrued Salaries and Wages Payable	22,157	44,842	66,999
Due to Other Governments	-	5,417	5,417
Unearned Revenues	-	3,712	3,712
Noncurrent Liabilities:			
Due Within One Year	100,755	133,160	233,915
OPEB Liability - Due Within One Year	6,854	10,631	17,485
Due in More Than One Year	2,556,500	1,201,151	3,757,651
Net Pension Liability - More Than One Year	166,332	222,300	388,632
OPEB Liability - More Than One Year	198,129	307,766	505,895
Total Liabilities	3,115,898	2,036,752	5,152,650
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	225,351	139,606	364,957
NET POSITION			
Net Investment in Capital Assets	2,493,358	1,085,054	3,578,412
Restricted for:			
Economic Development	274,545	-	274,545
Debt Service	21,737	-	21,737
Kitchigami Library Maintenance	39,980	-	39,980
Capital Projects	179,143	-	179,143
Pensions	248,281	-	248,281
E-Tab Sales	-	35,028	35,028
Other Purposes	29,323	-	29,323
Unrestricted	621,812	283,421	905,233
Total Net Position	$ 3,908,179	$ 1,403,503	$ 5,311,682

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position — Primary Government: Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	$ 1,103,775	$ 825,390	$ 2,159	$ -	$ (276,226)	$ -	$ (276,226)
Public Safety	382,924	102,357	-	145,135	(135,432)	-	(135,432)
Public Works	324,940	-	1,343	24,866	(298,731)	-	(298,731)
Culture and Recreation	421,603	332,761	-	79,658	(9,184)	-	(9,184)
Economic Development	22,404	-	-	-	(22,404)	-	(22,404)
Cemetery	21,482	-	-	-	(21,482)	-	(21,482)
Interest and Fiscal Fees	92,508	-	-	-	(92,508)	-	(92,508)
Total Governmental Activities	2,369,636	1,260,508	3,502	249,659	(855,967)	-	(855,967)
Business-Type Activities:							
Municipal Water	313,423	232,886	1,985	-	-	(78,552)	(78,552)
Municipal Sewage Disposal	279,128	234,921	325	-	-	(43,882)	(43,882)
Municipal Liquor Store	1,771,069	1,829,204	-	-	-	58,135	58,135
Total Business-Type Activities	2,363,620	2,297,011	2,310	-	-	(64,299)	(64,299)
Total Primary Government	$ 4,733,256	$ 3,557,519	$ 5,812	$ 249,659	(855,967)	(64,299)	(920,266)
GENERAL REVENUES AND TRANSFERS							
General Revenues:							
Property Taxes and Special Assessments					532,143	14,079	546,222
Grants and Aids Not Restricted for Specific Programs					411,655	-	411,655
Fines and Fees					60	-	60
Interest Income					39,842	29,600	69,442
Rental Income					-	-	-
Gain on sale of capital assets					-	-	-
Other					35,230	7,233	42,463
Transfers In (Out)					53,438	(53,438)	-
Total General Revenues and Transfers					1,072,368	(2,526)	1,069,842
CHANGES IN NET POSITION					216,401	(66,825)	149,576
Net Position - Beginning					3,691,778	1,470,328	5,162,106
NET POSITION - END OF YEAR					$ 3,908,179	$ 1,403,503	$ 5,311,682

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Golf Fund	Revolving Loan Fund	Fire Dept Special Equipment	2025 G.O. Equipment Certificate Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$ 501,269	$ 1,151	$ 377,126	$ 155,835	$ 39,700	$ 496,582	$ 1,571,663
Restricted Cash	23,308	-	-	-	-	-	23,308
Accounts Receivable	3,484	2,054	-	-	-	426	5,964
Advance from Other Funds	226,151	-	59,544	-	-	-	285,695
Due from Other Governments	172	-	-	-	-	26,152	26,324
Notes Receivable	-	-	16,638	-	-	-	16,638
Property Taxes Receivable	31,414	167	-	-	-	19,824	51,405
Prepaid Expenses	23,135	3,695	-	-	-	1,690	28,520
Total Assets	$ 808,933	$ 7,067	$ 453,308	$ 155,835	$ 39,700	$ 544,674	$ 2,009,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	$ 22,500	$ 2,739	$ -	$ -	$ -	$ 17,588	$ 42,827
Accrued Salaries and Wages Payable	19,051	2,235	-	-	-	871	22,157
Advance to Other Funds	-	244,259	-	-	-	41,436	285,695
Total Liabilities	41,551	249,233	-	-	-	59,895	350,679
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	23,427	167	-	-	-	29,337	52,931
FUND BALANCES							
Nonspendable	23,135	3,695	13,218	-	-	1,690	41,738
Restricted	23,308	-	-	155,835	39,700	372,869	591,712
Committed	-	-	-	-	-	55,604	55,604
Assigned	43,619	-	440,090	-	-	40,888	524,597
Unassigned	653,893	(246,028)	-	-	-	(15,609)	392,256
Total Fund Balances	743,955	(242,333)	453,308	155,835	39,700	455,442	1,605,907
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 808,933	$ 7,067	$ 453,308	$ 155,835	$ 39,700	$ 544,674	$ 2,009,517

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds	$ 1,605,907
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:	
Cost	7,975,506
Less: Accumulated Depreciation and Amortization	(2,895,155)
Total	5,080,351
Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.	52,931
Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(45,622)
Long-term liabilities are not payable with current financial resources and are therefore, not reported in the governmental funds. The effect of premiums or Discounts are recognized as an expenditure when debt is issued in the funds, whereas these amounts are deferred and amortized in the government-wide statements.	
Bonds payable	(2,599,366)
Lease Payable	(12,267)
OPEB Liability	(204,983)
OPEB Deferred Outflows of Resources	6,352
Net Pension Liability	(166,332)
Deferred Outflows of Resources	153,936
Deferred Inflows of Resources	(210,271)
Accrued Interest Payable	(22,344)
Total	(3,055,275)
Amounts pertaining to the Blackduck Fire Relief Association pension plan are not current financial resources and, therefore, are not reported in governmental funds:	
Net Pension Asset	248,281
Deferred Outflows of Resources	36,686
Deferred Inflows of Resources	(15,080)
Total	269,887
Net Position of Governmental Activities as Reported on the Statement of Net Position	$ 3,908,179

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Golf Fund	Revolving Loan Fund	Fire Dept Special Equipment	2025 G.O. Equipment Certificate Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	$ 369,514	$ 54	$ -	$ -	$ -	$ 44,902	$ 414,470
Sales Taxes	-	-	-	-	-	71,164	71,164
Special Assessments	-	-	-	-	-	3,708	3,708
Licenses and Permits	590	-	-	-	-	-	590
Intergovernmental Revenues	400,655	-	-	-	-	32,475	433,130
Tax Increments	3,313	-	-	-	-	21,138	24,451
Charges for Services	927,157	306,830	-	-	-	21,360	1,255,347
Fines and Fees	60	-	-	-	-	-	60
Interest Income	15,026	-	17,124	701	375	6,646	39,872
Donations and Grants	6	3,573	-	145,135	24,866	58,183	231,763
Other	30,049	795	-	-	-	127	30,971
Total Revenues	1,746,370	311,252	17,124	145,836	25,241	259,703	2,505,526
EXPENDITURES							
Current:							
General Government	1,014,313	-	-	-	-	-	1,014,313
Public Safety	281,557	-	-	-	-	-	281,557
Streets and Highways	187,379	-	-	-	-	-	187,379
Economic Development	-	-	7,169	-	-	-	7,169
Culture and Recreation	56,785	258,437	-	-	-	108,473	423,695
Cemetery	-	-	-	-	-	20,501	20,501
Capital Outlay	25,504	27,806	-	744,000	332,239	13,056	1,142,605
Debt Service:							
Principal	19,008	28,096	11,484	-	-	31,631	90,219
Interest and Fiscal Charges	151	1,000	2,697	-	-	71,841	75,689
Issuance Fees	-	-	-	-	16,302	-	16,302
Total Expenditures	1,584,697	315,339	21,350	744,000	348,541	245,502	3,259,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	161,673	(4,087)	(4,226)	(598,164)	(323,300)	14,201	(753,903)

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Golf Fund	Revolving Loan Fund	Fire Dept Special Equipment	2025 G.O. Equipment Certificate Fund	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Issuance of Long-Term Debt	$ -	$ -	$ -	$ -	$ 363,000	$ -	$ 363,000
Insurance Proceeds	1,876	-	-	-	-	2,180	4,056
Proceeds from Sale of Assets	50	-	-	-	-	2,400	2,450
Operating Transfers In	65,000	10,000	-	5,000	-	128,572	208,572
Operating Transfers Out	(82,866)	-	-	-	-	(72,268)	(155,134)
Total Other Financing Sources (Uses)	(15,940)	10,000	-	5,000	363,000	60,884	422,944
NET CHANGE IN FUND BALANCES	145,733	5,913	(4,226)	(593,164)	39,700	75,085	(330,959)
Fund Balances - Beginning of Year	598,222	(248,246)	457,534	748,999	-	380,357	1,936,866
FUND BALANCES - END OF YEAR	$ 743,955	$ (242,333)	$ 453,308	$ 155,835	$ 39,700	$ 455,442	$ 1,605,907

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Changes in Fund Balances - Governmental Funds	$ (330,959)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:	
Capital Outlay	1,188,929
Depreciation and Amortization	(322,771)
Proceeds from the Sale of Capital Assets	(2,450)
Loss on Disposal of Capital Assets	(17,050)
Total	846,658
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	12,836
Compensated absences are reported as an expenditure when paid. In the statement of activities, however, compensated absences are recognized as earned, regardless of when paid.	(21,879)
Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position.	(363,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities on the statement of net position. In the current period these amounts consisted of:	
Principal Retirement on Bonds and Notes	60,521
Lease Liability	29,698
Total	90,219
Interest is recognized as an expenditure in the governmental funds when it is paid. In the statement of activities, however, interest expense is recognized as it accrued, regardless of when it is paid.	(150)
Governmental funds report City and Fire Relief pension contributions and OPEB contributions as expenditures. In the statement of activities, however, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension expense:	
City and Fire Relief Pension Contributions	24,805
Costs of Benefits Earned Net of Employee Contributions	(42,129)
Total	(17,324)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities	$ 216,401

See accompanying Notes to Basic Financial Statements.

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

	Business-Type Activities - Enterprise Funds			
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 293,857	$ 406,394	$ 138,347	$ 838,598
Restricted Cash	-	-	35,028	35,028
Accounts Receivable	22,322	23,874	4,540	50,736
Property Taxes Receivable	-	819	-	819
Special Assessment Receivable	77,812	44,805	-	122,617
Inventory	-	-	103,217	103,217
Prepaid Expenses	3,814	4,235	8,382	16,431
Total Current Assets	397,805	480,127	289,514	1,167,446
Capital Assets:				
Land	-	16,400	23,087	39,487
Buildings	-	2,273,274	1,105,728	3,379,002
Furniture, Fixtures, and Equipment	7,740	18,027	79,668	105,435
Other Improvements	2,206,386	743,541	46,054	2,995,981
Total Capital Assets	2,214,126	3,051,242	1,254,537	6,519,905
Less: Accumulated Depreciation and Amortization	(1,297,364)	(2,430,636)	(458,542)	(4,186,542)
Total Capital Assets, Net of Depreciation and Amortization	916,762	620,606	795,995	2,333,363
Total Assets	1,314,567	1,100,733	1,085,509	3,500,809
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	10,762	11,347	47,077	69,186
Related to OPEB	1,505	1,574	6,787	9,866
Total Deferred Outflows of Resources	12,267	12,921	53,864	79,052
LIABILITIES				
Current Liabilities:				
Current Portion of Bonds and Lease Payable	55,000	-	30,000	85,000
Current Portion of OPEB Liability	1,626	1,696	7,309	10,631
Compensated Absences	14,656	15,543	17,961	48,160
Accounts Payable	1,373	6,097	71,995	79,465
Sales Tax Payable	993	-	17,229	18,222
Accrued Interest Payable	5,982	-	4,104	10,086
Accrued Salaries and Wages Payable	8,030	8,496	28,316	44,842
Due to Other Governments	-	-	5,417	5,417
Unearned Revenues	-	-	3,712	3,712
Total Current Liabilities	87,660	31,832	186,043	305,535
Long-Term Liabilities:				
Bonds and Leases Payable, Net of Unamortized Bond Discount	633,309	-	530,000	1,163,309
Compensated Absences	11,516	12,213	14,113	37,842
Net Pension Liability	34,579	36,459	151,262	222,300
OPEB Liability	46,948	49,109	211,709	307,766
Total Long-Term Liabilities	726,352	97,781	907,084	1,731,217
Total Liabilities	814,012	129,613	1,093,127	2,036,752
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	21,716	22,897	94,993	139,606
NET POSITION				
Net Investment in Capital Assets	228,453	620,606	235,995	1,085,054
Restricted	-	-	35,028	35,028
Unrestricted	262,653	340,538	(319,770)	283,421
Total Net Position	$ 491,106	$ 961,144	$ (48,747)	$ 1,403,503

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities - Enterprise Funds			
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	Total
OPERATING REVENUES	$ 232,886	$ 234,921	$ 22,848	$ 490,655
SALES	-	-	1,781,723	1,781,723
COST OF SALES	-	-	(991,782)	(991,782)
GROSS PROFIT	-	-	789,941	789,941
INCOME BEFORE EXPENSES	232,886	234,921	812,789	1,280,596
OPERATING EXPENSES				
Personnel Services	154,687	163,400	500,483	818,570
Utilities	11,290	34,129	47,482	92,901
Supplies and Materials	10,049	2,796	11,159	24,004
Advertising and Printing	-	-	8,881	8,881
Repairs and Maintenance	3,904	20,024	11,632	35,560
Contracted Services	17,748	20,951	29,059	67,758
Insurance	8,945	11,148	21,585	41,678
Depreciation and Amortization	79,848	17,256	42,739	139,843
Other Expenses	12,759	9,601	96,527	118,887
Total Operating Expenses	299,230	279,305	769,547	1,348,082
OPERATING INCOME (LOSS)	(66,344)	(44,384)	43,242	(67,486)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	10,657	15,242	3,701	29,600
Rental Income	-	-	24,633	24,633
Miscellaneous	2,622	1,087	5,509	9,218
Property Taxes	-	9,434	-	9,434
Special Assessments	2,947	1,698	-	4,645
Intergovernmental	-	325	-	325
Interest Revenue (Expense)	(14,193)	177	(9,740)	(23,756)
Total Nonoperating Revenues (Expenses)	2,033	27,963	24,103	54,099
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(64,311)	(16,421)	67,345	(13,387)
OPERATING TRANSFERS				
Transfer to Other Funds	(24,536)	(24,536)	(78,500)	(127,572)
Transfer from Other funds	1,866	72,268	-	74,134
Total Operating Transfers	(22,670)	47,732	(78,500)	(53,438)
CHANGE IN NET POSITION	(86,981)	31,311	(11,155)	(66,825)
Net Position - Beginning of Year	578,087	929,833	(37,592)	1,470,328
NET POSITION - END OF YEAR	$ 491,106	$ 961,144	$ (48,747)	$ 1,403,503

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities - Enterprise Funds			
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 232,886	$ 236,071	$ 1,801,076	$ 2,270,033
Cash Paid to Employees	(133,240)	(140,501)	(486,106)	(759,847)
Cash Paid to Suppliers	(64,735)	(94,483)	(1,238,398)	(1,397,616)
Net Cash Provided by Operating Activities	34,911	1,087	76,572	112,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous Revenue	2,622	1,086	-	3,708
Transfers to Other Funds	(24,536)	(24,536)	(78,500)	(127,572)
Transfers from Other Funds	1,866	72,268	-	74,134
State Aid	-	325	-	325
Net Cash Provided (Used) by Noncapital Financing Activities	(20,048)	49,143	(78,500)	(49,405)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment	-	-	(16,454)	(16,454)
Principal Paid on Leases Payable	-	-	(6,997)	(6,997)
Principal Paid on Debt	(54,478)	(12,000)	(30,000)	(96,478)
Property Taxes Proceeds	-	9,470	-	9,470
Special Assessments Proceeds	12,452	7,170	-	19,622
Interest and Fees Paid on Bonds	(15,595)	(180)	(10,015)	(25,790)
Net Cash Provided (Used) by Capital and Related Financing Activities	(57,621)	4,460	(63,466)	(116,627)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	10,657	15,242	3,701	29,600
Rental Income	-	-	30,142	30,142
Net Cash Provided by Investing Activities	10,657	15,242	33,843	59,742
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,101)	69,932	(31,551)	6,280
Cash and Cash Equivalents - Beginning of Year	325,958	336,462	204,926	707,109
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 293,857	$ 406,394	$ 173,375	$ 713,389

See accompanying Notes to Basic Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Business-Type Activities - Enterprise Funds			
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$ (66,344)	$ (44,384)	$ 43,242	$ (67,486)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	79,848	17,256	42,739	139,843
(Increase) Decrease in Assets and Deferrals:				
Accounts Receivable	-	1,150	(4,540)	(3,390)
Inventory	-	-	35	35
Prepaid Expenses	(208)	977	(1,825)	(1,056)
Deferred Outflows of Resources	396	398	823	1,617
Increase (Decrease) in Liabilities and Deferrals:				
Accounts Payable	(410)	3,189	(24,737)	(21,958)
Sales Tax Payable	578	-	5,203	5,781
Accrued Salaries and Wages Payable	3,106	3,343	7,373	13,822
Accrued Compensated Absences	17,664	18,752	3,136	39,552
OPEB Liability	6,452	6,813	24,321	37,586
Due to Other Governments	-	-	1,033	1,033
Deferred Inflows of Resources	(3,320)	(3,460)	(12,232)	(19,012)
Unearned Revenue	-	-	1,045	1,045
Net Pension Liability	(2,851)	(2,947)	(9,044)	(14,842)
Net Cash Provided by Operating Activities	$ 34,911	$ 1,087	$ 76,572	$ 112,570

See accompanying Notes to Basic Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The City of Blackduck, Minnesota (the City) was incorporated in 1901 and operates under the state of Minnesota Statutory Plan – a form of government. The governing body consists of a five-member City Council elected by voters of the City.

The financial statements of the City of Blackduck, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as United States generally accepted accounting principles for state and local governments.

B. Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

The City of Blackduck Housing Redevelopment Authority (HRA) was created by the City in 1990 and is governed by a board comprised of the members of the City Council. The HRA activities are blended and reported as a special revenue fund due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements for the HRA are not issued for this component unit.

1. Related Organization

Blackduck Fire Relief Association

Blackduck Fire Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. Its Board of Trustees is appointed by the members of the Association and not by the City Council. All funding is conducted in accordance with *Minnesota Statutes*, including state aid flowing through the City and the City's required contribution, if any. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity – Basis of Presentation (Continued)

2. Joint Ventures

Pine Tree Park

The Pine Tree Park Joint Powers Board was formed on November 18, 1997, under the authority of the Joint Powers Act, pursuant to *Minnesota Statutes* 471.59, and includes Beltrami County and the City of Blackduck. The purpose of the Pine Tree Park Joint Powers Board is to ensure Beltrami County is paying for a portion of the costs associated with operating the Park.

Pine Tree Park Joint Powers Board consists of one Beltrami County Commissioner and three Beltrami County employees, the Mayor of Blackduck and three City employees, and one member of the Pine Tree Park Advisory Committee.

Pine Tree Park has no long-term debt. Beltrami County contributes $11,000 annually. Financing is also provided by appropriations from the members and other lawful sources. The City of Blackduck operates the Park, makes all purchasing decisions and reports the cash transactions of the Pine Tree Park on its financial statements. In the event of dissolution, the City of Blackduck shall retain ownership of the assets of Pine Tree Park.

3. Government-wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding custodial activities. The primary governmental and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and city general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity – Basis of Presentation (Continued)

3. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's enterprise fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for nonmajor funds.

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

The government-wide statements and proprietary fund statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, special assessments, intergovernmental revenues, charges for services, and investment income. In general, other revenues are recognized when cash is received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity – Basis of Presentation (Continued)

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

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

C. Fund Types and Major Funds

1. Governmental Funds

The City reports the following major funds:

General Fund
The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Golf Fund
The Golf Fund accounts for the activities related to golf course operations.

Revolving Loan Fund
The Revolving Loan Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally and internally designated to issue loans.

Fire Department Special Equipment Fund
The Fire Department Special Equipment Fund is a capital project fund used to account for the funds collected for and costs of equipment for the Fire Department.

2025 G.O. Equipment Certificate Fund
The 2025 G.O. Equipment Certificate Fund is a debt service fund used to account for the accumulation of resources for, and payment of, principal and interest on the City's 2025 General Obligation Equipment Certificate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Types and Major Funds (Continued)

2. Proprietary Funds

The City reports the following major funds:

Municipal Water Enterprise Fund
The Municipal Water Enterprise Fund accounts for the activities related to water operations.

Municipal Sewage Disposal Enterprise Fund
The Municipal Sewage Disposal Enterprise Fund accounts for the activities related to sewage disposal operations.

Municipal Liquor Store Enterprise Fund
The Municipal Liquor Store Enterprise Fund accounts for the activities related to liquor store operations.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investment balances of the primary government funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at market (plus interest added, if any). Material purchase discounts and premiums are amortized over the term of the investment. Investment earnings are accrued at the balance sheet date.

For the purposes of the statement of cash flows of the Proprietary Fund type, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the pooled cash and investments allocated to the Primary Government's Proprietary Fund types are considered to be cash and cash equivalents.

2. Inventories and Prepaid Expenses

Proprietary fund inventories are valued at lower of cost or market using the first-in, first-out method (FIFO).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

2. Inventories and Prepaid Expenses (Continued)

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid expenses are similarly reported in government-wide and fund financial statements.

3. Capital Assets and Depreciation

The City's capital assets with useful lives of more than one year are stated at historical costs or estimated historical cost and comprehensively reported in the government-wide financial statements. Infrastructure with useful lives of more than one year are stated at historical cost or estimated historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund financial statements. Donated assets are stated at acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using straight-line depreciation. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has established the following capitalization thresholds:

Land and Land Improvements	$ 10,000
Buildings	25,000
Building Improvements	25,000
Furniture, Fixtures, and Equipment	2,500
Vehicles	2,500
Infrastructure	100,000
Other	2,500

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	3 to 50 Years
Buildings and Building Improvements	7 to 40 Years
Furniture, Fixtures, and Equipment	5 to 20 Years
Vehicles	3 to 25 Years
Infrastructure	25 to 50 Years
Other	5 to 20 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

3. Capital Assets and Depreciation (Continued)

Right-to-use (ROU) lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

4. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

5. 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 relief association and additions to/deductions from PERA and relief association’s fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that the report’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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

6. 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 future periods and thus, will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. They are the deferred resources related to pensions and OPEB, reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items which qualify for reporting in this category: unavailable revenue - delinquent property taxes receivable and special assessments receivable and deferred resources related to pensions.

The first item, unavailable revenue – property taxes and special assessments receivables, arise under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes and special assessments not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

Deferred outflows and inflows related to pensions are for purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and relief association. Additions to/deductions from PERA and relief association’s fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association.

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. Additional information can be found in Note 3.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

7. Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – Amounts are in a nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.

- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- *Committed Fund Balance* – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest-level action to remove or change the constraint.

- *Assigned Fund Balance* – Amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.

- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City adopted a formal fund balance policy that strives to maintain an unassigned fund balance equal to or greater than 35% of the General Fund operating revenues. Should the unassigned fund balance fall below the 35% threshold, the City will strive toward regaining the minimum threshold during the next budget process.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

8. Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted Net Position* – Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws, or regulations of other governments.

- *Unrestricted Net Position* – Is the amount of net position that does not meet the definition of the two preceding categories.

9. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more-likely-than-not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

11. Local Governmental Aid Revenue Recognition

Local government aid is provided to the City by the state as a shared tax based upon a statutory formula and without restrictions. Payment from the State is generally received during each calendar year for that calendar year. The City recognizes local government aid revenue when it becomes both measurable and available to finance current operations. In practice, local government aid is recognized as revenue as it is received in cash.

12. Market Value Credit

Property taxes on agriculture homestead property (as defined by State Statutes) are partially reduced by a Market Value Credit. The Market Value Credit is paid to the City by the state in lieu of taxes levied against agriculture homestead property. The state remits this credit in two installments during each year.

13. Property Tax Revenue Recognition

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. Such taxes become a lien on January 1 and are recorded as a receivable by the City at that date. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. These taxes are payable by May 15 and October 15 of each calendar year by the property owners.

The County possesses this authority. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land (as defined in State Statutes) in which event the property is subject to such sale after five years.

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and homestead credits received by the City are recognized as revenue for the current year. Additionally, taxes collected by the County by December 31 (remitted to the City the following January) and credits not received at the normal time are recognized as revenue for the current year. Homestead credits received by the City from the state are recognized as revenue when received in cash.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

14. Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties. Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City in the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are recognized in the year assessed in the government-wide statements.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of the sale (after costs, penalties, and expenses of the sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreation land in which event the property is subject to such sale after five years.

15. Interfund Balances

Activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds (noncurrent portion).” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

NOTE 2 ASSETS AND LIABILITIES

A. Deposits

Authority

In accordance with *Minnesota Statutes*, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. *Minnesota Statutes* require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated A or better, revenue obligations rated AA or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. *Minnesota Statutes* require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be covered. The City's policy for custodial credit risk is to maintain compliance with Minnesota Statutes that require all the City's deposits to be protected by insurance, surety bond, or pledged collateral and, therefore, there is no custodial credit risk for deposits at December 31, 2025.

Restricted Deposits

The City has $23,308 in general fund deposits restricted for public safety vehicles and $35,028 in liquor fund deposits restricted for E-Tab sales from Fire Relief gambling revenue.

B. Investments

Authority

Minnesota Statutes authorize the City to invest in the following types of investments:

1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes;

2) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

3) General obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

B. Investments (Continued)

Authority (Continued)

4) Bankers' acceptances of United States banks;

5) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

6) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk.

Custodial Credit Risk

Custodial credit risk for investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City of Blackduck's investment in a single issuer.

The City has not adopted a formal investment policy and currently does not have any investment holdings.

C. Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has been concluded that the City will report bad debt losses on balances outstanding at year-end for 2025.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

D. Special Assessment Receivables

Special assessment receivables include the following components:

- *Current* – Includes amounts billed to property owners in the next fiscal year.
- *Delinquent* – Includes amounts billed to property owners but not paid as of December 31, 2025.
- *Deferred* – Includes assessment installments which will be billed to property owners in future years.

Unearned revenue in governmental activities is susceptible to full accrual on the government- wide statements.

E. Notes Receivable

Notes receivable in the Revolving Loan Fund used for business economic development at December 31, 2025 are as follows:

Note Dated	Authorized/ Original Amount	Maturity Date	Interest Rate	Balance
Special Revenue Fund:				
May 18, 2016	$ 40,000	June 1, 2026	-	$ 724
August 1, 2019	5,500	August 1, 2029	-	2,142
August 1, 2019	15,000	August 1, 2029	5.50	6,916
September 1, 2019	32,000	November 1, 2029	5.50	15,914
Total	$ 92,500			25,696
	Allowance for Uncollectible Accounts (See Note 2E)			(9,058)
		Notes Receivable, Net of Allowance		$ 16,638

The Flowers in the Attic loans with original amounts of $5,500 and $15,000 have an allowance for uncollectible accounts of $9,058 as there is a risk of default on these loans.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

F. Capital Assets

Capital asset activity for the year ended December 31, 2025 is as follows:

	Beginning Balance	Additions	Disposals	Transfer	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 534,228	$ -	$ 19,500	$ 6,206	$ 520,934
Construction in Progress	-	1,156,274	-	-	1,156,274
Total Capital Assets Not Being Depreciated	534,228	1,156,274	19,500	6,206	1,677,208
Capital Assets Being Depreciated:					
Buildings	2,743,063	10,732	-	(25,239)	2,728,556
Furniture, Fixtures, and Equipment	2,035,123	21,923	11,089	-	2,045,957
Right-to-Use Lease - Equipment	177,312	-	89,367	-	87,945
Other Improvements	1,416,807	-	-	19,033	1,435,840
Total Capital Assets Being Depreciated	6,372,305	32,655	100,456	(6,206)	6,298,298
Less: Accumulated Depreciation	(2,543,768)	(287,611)	(11,089)	-	(2,820,290)
Less: Accumulated Amortization	(129,072)	(35,160)	(89,367)	-	(74,865)
Total Capital Assets Being Depreciated, Net	3,699,465	(290,116)	-	(6,206)	3,403,143
Total Governmental Activities Capital Assets, Net	$ 4,233,693	$ 866,158	$ 19,500	$ -	$ 5,080,351

	Beginning Balance	Additions	Disposals	Transfer	Ending Balance
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 39,487	$ -	$ -	$ -	$ 39,487
Capital Assets Being Depreciated:					
Buildings	3,379,002	-	-	-	3,379,002
Furniture, Fixtures, and Equipment	94,278	16,454	5,297	-	105,435
Right-to-Use Lease - Equipment	64,384	-	64,384	-	-
Other Improvements	2,995,981	-	-	-	2,995,981
Total Capital Assets Being Depreciated	6,533,645	16,454	69,681	-	6,480,418
Less: Accumulated Depreciation	(4,058,957)	(132,882)	(5,297)	-	(4,186,542)
Less: Accumulated Amortization	(57,946)	(6,438)	(64,384)	-	-
Total Capital Assets Being Depreciated, Net	2,416,742	10,016	5,297	-	2,293,876
Total Business-Type Activities Capital Assets, Net	$ 2,456,229	$ 10,016	$ 5,297	$ -	$ 2,333,363

The City’s lease amortization is presented as amortization expense on the statement of activities related to the City’s equipment leases, which is included in the above table as right-to-use (ROU) lease. With the implementation of GASB Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible ROU asset.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

F. Capital Assets (Continued)

Depreciation and amortization expenses were charged to functions of primary government as follows:

Governmental Activities:		
General Government	$	33,498
Public Safety		134,104
Public Works		87,441
Streets and Highways		10,959
Culture and Recreation		43,934
Economic Development		12,835
Total Governmental Activities Expense	$	322,771
Business-Type Activities:		
Municipal Water	$	79,324
Municipal Sewage Disposal		17,257
Municipal Liquor Store		42,739
Total Business-Type Activities Expense	$	139,320

G. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2025:

	Beginning Balance	Issues	Payments	Ending Balance	Due Within One Year
Governmental Activities:					
General Long-Term Debt:					
General Obligation Revenue Bonds:					
2023A Refunding Bond	$ 1,629,054	$ -	$ 26,530	$ 1,602,524	$ 27,127
2023B Refunding Bond	305,005	-	5,101	299,904	5,209
General Obligation Bond:					
2016 G.O. Equipment Certificate	14,000	-	14,000	-	-
2024A G.O. Equipment Certificate	180,000	-	-	180,000	18,000
2025A G.O. Equipment Certificate	-	363,000	-	363,000	-
Note Payable:					
USDA Loan	18,384	-	3,406	14,978	3,406
DEED Demolition Loan	150,444	-	11,484	138,960	11,715
Total General Long-Term Debt	2,296,887	363,000	60,521	2,599,366	65,457
Lease Payable (See Note 2, Section H):					
Trucks	13,630	-	13,630	-	-
Golf Carts	21,121	-	13,845	7,276	7,276
City Hall Copier	7,214	-	2,223	4,991	2,473
Total Lease Payable	41,965	-	29,698	12,267	9,749
Other Long-Term Liabilities:					
Compensated Absences, Net	23,743	1,806	-	45,622	25,549
Total Governmental Activities	$ 2,362,595	$ 364,806	$ 90,219	$ 2,657,255	$ 100,755

Compensated absences are reported as a net change in the total liability.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

G. Long-Term Liabilities (Continued)

	Beginning Balance	Issues	Payments	Ending Balance	Due Within One Year
Business-Type Activities:					
Enterprise Fund Long-Term Debt:					
General Obligation Special Assessment Bonds:					
G.O. Disposal System Bonds, Series 2014A	$ 12,000	$ -	$ 12,000	$ -	$ -
General Obligation Revenue Bonds:					
G.O. Refunding Bonds, Series 2012A	600,000	-	50,000	550,000	50,000
G.O. Tax Abatement Bond 2021A	590,000	-	30,000	560,000	30,000
Note Payable:					
2016 G.O. Water Revenue Note	146,000	-	5,000	141,000	5,000
Total Enterprise Fund Long-Term Debt	1,348,000	-	97,000	1,251,000	85,000
Less: Unamortized Bond Discount	(3,213)	-	(522)	(2,691)	-
Total Enterprise Fund Long-Term Debt, Net	1,344,787	-	96,478	1,248,309	85,000
Lease Payable (See Note 2, Section H):					
Liquor	6,997	-	6,997	-	-
Other Long-Term Liabilities:					
Compensated Absences	46,450	39,552	-	86,002	48,160
Total Business-Type Activities	$ 1,398,234	$ 39,552	$ 103,475	$ 1,334,311	$ 133,160

Compensated absences are reported as a net change in the total liability.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

G. Long-Term Liabilities (Continued)

City indebtedness at December 31, 2025 is composed of the following individual bonds, and notes:

Governmental Activities

	Interest Rates	Issue Date	Maturity Date	Authorized and Issued	Ending Balance	Amounts Due in 2026 Principal	Interest
General Obligation Issues:							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	$ 93,000	$ -	$ -	$ -
2024 G.O. Equipment Certificate	2.500	7/25/2024	2/1/2032	180,000	180,000	18,000	8,839
2025 G.O. Equipment Certificate	4.500	1/23/2025	2/1/2036	363,000	363,000	-	24,866
Total General Obligation Issues				$ 636,000	543,000	18,000	33,705
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds,							
2023A Refunding Bond	2.250	7/28/2023	7/28/2063	$ 1,655,000	1,602,524	27,127	36,057
2023B Refunding Bond	2.125	7/28/2023	7/28/2063	310,000	299,904	5,209	6,373
Total General Obligation Revenue Bonds				$ 1,965,000	1,902,428	32,336	42,430
Notes Payable:							
USDA Loan	2.375	4/6/2020	4/6/2023	$ 30,000	14,978	3,406	-
DEED Demolition Loan	2.000	3/26/2021	3/26/2026	162,033	138,960	11,715	2,721
Total Notes Payable				$ 192,033	153,938	15,121	2,721
Lease Payable:							
GM Financial	4.457	1/5/2021	1/5/2025	$ 89,367	-	-	-
TCF Bank - Gold Carts	4.500	7/22/2021	7/22/2026	65,578	7,276	7,276	-
City Hall Copier	4.500	12/1/2022	12/1/2027	11,098	4,991	2,473	
Total Lease Payable				$ 166,043	12,267	9,749	-
Compensated Absences Payable					45,622	25,549	-
OPEB Payable					204,983	6,854	-
Total Governmental Activities					$ 2,862,238	$ 107,609	$ 78,856

Business-Type Activities

	Interest Rates	Issue Date	Maturity Date	Authorized and Issued	Ending Balance	Amounts Due in 2026 Principal	Interest
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds, Series 2012A	0.750-2.550	12/27/2012	2/1/2035	$ 1,075,000	$ 550,000	$ 50,000	$ 12,563
G.O. Tax Abatement Bonds, Series 2021A	0.750-2.550	5/27/2021	2/1/2030	650,000	560,000	30,000	9,685
Total General Obligation Revenue Bonds				$ 1,725,000	1,110,000	80,000	22,248
Special Assessment Bonds With Governmental Commitment:							
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	$ 105,000	-	-	-
Notes Payable:							
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2046	$ 146,000	141,000	5,000	1,410
Lease Payable:							
TCF Bank	4.490	1/4/2020	1/1/2025	$ 64,867	-	-	-
Compensated Absences Payable					86,002	48,160	-
OPEB Payable					307,766	10,631	-
Total Business-Type Activities					$ 1,644,768	$ 143,791	$ 23,658

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

G. Long-Term Liabilities (Continued)

There are a number of limitations in the various bond indentures. Various bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The reporting entity is in compliance with all significant requirements of the various bond covenants.

During 2023, the City entered into two refunding agreements with the USDA – Rural Development for funding the project costs of the new maintenance facility. The agreements will provide financing of $1,655,000 and $310,000 at an interest rate of 2.25% and 2.125%, respectively. Interest payments are due annually. The current maturity for the agreements is July 28, 2063.

The City leases a Ziegler CAT tractor for street department use, a copier for the City Hall, and 15 golf carts for patron use with a fee. The City also leased an electric sign for liquor store advertising and two GMC trucks for street department use, which ended in 2025.

The debt service requirements for the City's bonds and notes are as follows:

Year Ending	G.O. Certificates		G.O. Revenue Bonds		Notes Payable		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 18,000	$ 33,125	$ 112,336	$ 64,677	$ 20,121	$ 4,131	$ 150,457	$ 101,933
2027	54,000	22,905	113,057	62,538	20,357	3,845	187,414	89,288
2028	56,000	20,349	113,794	60,346	21,597	3,555	191,391	84,250
2029	58,000	17,700	119,548	58,082	21,842	3,250	199,390	79,032
2030	62,000	14,911	120,318	55,703	20,040	2,940	202,358	73,554
2031-2035	251,000	35,139	638,761	237,072	97,358	9,872	987,119	282,083
2036-2040	44,000	990	385,768	179,310	45,623	3,651	475,391	183,951
2041-2045	-	-	310,343	140,036	40,000	1,600	350,343	141,636
2046-2050	-	-	262,784	111,045	8,000	80	270,784	111,125
2051-2055	-	-	293,426	80,403	-	-	293,426	80,403
2056-2060	-	-	327,642	46,187	-	-	327,642	46,187
2061- 2063	-	-	214,651	9,646	-	-	214,651	9,646
Total	$ 543,000	$ 145,119	$ 3,012,428	$ 1,105,045	$ 294,938	$ 32,924	$ 3,850,366	$ 1,283,088

General Obligation bond issues sold by the City are financed by ad valorem tax levies and special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

NOTE 2 ASSETS AND LIABILITIES (CONTINUED)

H. Leases

A summary of changes in the leases are as follows:

Governmental Activities

Description	Beginning Balance	Additions	Payments and Retirements	Ending Balance	Current Amounts Principal	Current Amounts Interest
Trucks	$ 13,630	$ -	$ 13,630	$ -	$ -	$ -
Golf Carts	21,121	-	13,845	7,276	7,276	235
City Hall Copier	7,214	-	2,223	4,991	2,473	148
Total	$ 41,965	$ -	$ 29,698	$ 12,267	$ 9,749	$ 383

Business-Type Activities

Description	Beginning Balance	Additions	Payments and Retirements	Ending Balance	Current Amounts Principal	Current Amounts Interest
Liquor Sign	$ 6,997	$ -	$ 6,997	$ -	$ -	$ -

The City's lease assets total $87,945 with accumulated amortization of $74,865.

The payments on the lease are accounted for in the General Fund, Golf Fund, and Municipal Liquor Fund. The annual requirements to amortize the leases at December 31, 2025 are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 9,602	$ 383	$ 9,985
2027	2,665	42	2,707
Total	$ 12,267	$ 425	$ 12,692

NOTE 3 DEFINED BENEFIT PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing, multiemployer 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 (IRC).

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

1. 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.

2. Public Employees Police and Fire Plan

Membership in the Police and 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 and 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.

B. 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.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

1. 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% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%.

Recipients that have been receiving the annuity or benefit for at least a full year as of the 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 the June 30 before the effective date of the increase will receive a prorated increase.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% 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% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the 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 the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General 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 General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $62,805. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were $15,338. The City's contributions were equal to the required contributions as set by state statute.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $319,723 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 $7,713.

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 proportion 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 proportion was .0096% at the end of the measurement period and .0092% for the beginning of the period.

City's Proportionate Share of Net Pension Liability	$	319,723
State of Minnesota's Proportionate Share of Net Pension Liability Associated With the City		7,713
Total	$	327,436

For the year ended December 31, 2025 the City recognized pension expense of $22,062 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional ($1,183) 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.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 30,463	$ -
Changes in Actuarial Assumptions	7,703	73,567
Difference Between Projected and Actual Investment Earnings	-	127,221
Changes in Proportion	31,461	-
Contributions Paid to PERA Subsequent to the Measurement Date	29,880	-
Total	$ 99,507	$ 200,788

The $29,880 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 ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2026	$ (21,869)
2027	(48,644)
2028	(37,922)
2029	(22,726)
Total	$ (131,161)

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of $68,909 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 .0059% at the end of the measurement period and .0050% for the beginning of the period.

The state of Minnesota 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 meets 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 aid was paid on October 1, 2025. 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 $2,389.

City's Proportionate Share of Net Pension Liability	$	68,909
State of Minnesota's Proportionate Share of Net Pension Liability Associated With the City		2,389
Total	$	71,298

For the year ended December 31, 2025, the City recognized pension expense of $8,647 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional $1,156 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund special funding situation.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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 aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $1,570 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 related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 31,838	$ -
Changes in Actuarial Assumptions	52,256	86,340
Difference Between Projected and Actual Investment Earnings	-	30,755
Changes in Proportion	32,225	31,994
Contributions Paid to PERA Subsequent to the Measurement Date	7,296	-
Total	$ 123,615	$ 149,089

The $7,296 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 ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2026	$ 8,359
2027	(23,420)
2028	(25,836)
2029	3,681
2030	4,446
Total	$ (32,770)

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. 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 Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% 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% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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 and 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 and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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 and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and 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.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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 position of the General Employees Fund and 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.

H. 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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability at Different Discount Rates:			
General Employees Fund	$ 776,558	$ 319,723	$ (50,872)
Police and Fire Fund	180,557	68,909	(22,771)

I. 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 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

<u>Single Employer Plan – Blackduck Fire Relief Association</u>

A. Plan Description

Blackduck Firemen's Relief Association (the Association) is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the City of Blackduck Fire Department per *Minnesota State Statutes*.

B. Benefits Provided

Volunteer firefighters of the City are members of the Association. Members who have completed 20 years of service receive full retirement benefits. Partial benefits are earned for members who have completed 10 years of service, with vesting increasing each year until 20 years of service. The lump sum benefit is based on the years of service and annual benefit level. The benefit is available to the retired members when they reach 50 years of age.

Disability benefits and survivor benefits are payable to members or their beneficiaries based on years of service and the current annual benefit level.

The benefit provisions are set forth in the Association's bylaws and are consistent with *Minnesota State Statutes*.

C. Employees Covered by Benefit Terms

At December 31, 2025, the following employees were covered by the benefit terms:

Inactive Members Entitled to but Not Yet Receiving Benefits	2
Active Members	21
Total	23

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10 year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Single Employer Plan – Blackduck Fire Relief Association (Continued)

E. Net Pension Liability (Asset)

The City's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions

The total pension liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	5.25%
Inflation	2.50%
Expected Return on Plan Assets	5.25%
Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 67/68
Asset Valuation Method	Market Value of Assets
Mortality	Healthy Pre-retirement: Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2021.
	Healthy Post-retirement: Pub-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on Scale MP-2021. Males rates are adjusted by a factor of 0.98.
	Disabled: Pub-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2021. Males rates are adjusted by a factor of 1.05.

The best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Single Employer Plan – Blackduck Fire Relief Association (Continued)

E. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

Asset Class	Assumed Target Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Stocks	25.00 %	4.52 %	7.02 %
International Equity	12.00	5.08	7.58
Fixed Income	-	2.44	4.94
Real Estate and Alternatives	3.00	3.73	6.23
Cash and Equivalents	60.00	0.99	3.49
Total	100.00 %		5.35 %
Reduced for Assumed Investment Expense			(0.04)%
Assumed Investments Return, Net			5.25 %

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations." We believe that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, we have used the plan's long-term expected investment return as the liability discount rate.

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Single Employer Plan – Blackduck Fire Relief Association (Continued)

G. Changes in the Net Pension Liability (Asset)

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A) - (B) Net Pension Liability (Asset)
Balances at December 31, 2024	$ 281,586	$ 535,336	$ (253,750)
Changes for the Year:			
Service Cost	14,296	-	14,296
Interest Cost	15,534	-	15,534
Change in Benefit Terms	23,205	-	23,205
Contributions - State and Local	-	28,475	(28,475)
Net Investment Income (Loss)	-	18,790	(18,790)
Other Additions		900	(900)
Administrative Expense	-	(599)	599
Net Changes	53,035	47,566	5,469
Balances at December 31, 2025	$ 334,621	$ 582,902	$ (248,281)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 5.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher that the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Total Pension Liability	$ 340,879	$ 334,621	$ 328,442
Plan Fiduciary Net Pension	582,902	582,902	582,902
Net Pension Liability (Asset)	(242,023)	(248,281)	(254,460)

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Single Employer Plan – Blackduck Fire Relief Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued pension accounting report. This may be requested by contacting the City of Blackduck.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, The City recognized pension expense of $26,488. At December 31, 2025, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investments Earnings	$ 33,308	$ -
Difference Between Expected and Actual Liability Earnings	-	15,080
Change in Assumptions	3,378	-
Total	$ 36,686	$ 15,080

There were no contributions subsequent to the measurement date in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2026	$ 11,392
2027	10,316
2028	1,707
2029	109
2030	(1,506)
Thereafter	(412)
Total	$ 21,606

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

<u>Single Employer Plan – Blackduck Fire Relief Association (Continued)</u>

J. Aggregate Pension Cost

	General Employees Plan	Police and Fire Fund	Blackduck Fire Relief	Total
Net Pension Liability	$ 319,723	$ 68,909	$ -	$ 388,632
Net Pension Asset	-	-	248,281	248,281
Deferred Inflows of Resources	200,788	149,089	15,080	364,957
Deferred Outflows of Resources	99,507	123,615	36,686	259,808
Pension Expense	22,062	8,647	26,488	57,197

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City operates the City of Blackduck, Minnesota Other Postemployment Benefit Plan, a single employer retiree defined benefit plan for health insurance in which retiring employees and their spouse may participate. Retiring employees are eligible to participate only if they are a participant in the City's health insurance at the time of retirement. If a retiree chooses to drop their participation in the plan they cannot re-enroll back with the City's health plan. Upon the death of a retiree, the retiree's spouse can continue participation only if the spouse was covered under the plan at the time of the retiree's death. There are 13 active plan participants, and one retiree plan participant. The Plan does not issue a publicly available financial report.

The following changes in actuarial assumptions occurred in 2025:

- The discount rate was changed from 3.77% to 4.08%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated to use the 2023 PERA of Minnesota General Employees Retirement Plan experience study, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and the 2024 PERA of Minnesota Public Employees Police & Fire Plan experience study, Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2021.
- The inflation assumption stayed consistent at 2.50%.

B. Contributions

The required contribution is based on pay-as-you-go financing requirements.

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Total OPEB Liability

The City's total OPEB liability was determined by using the Alternative Measurement Method (AMM) valuation as of December 31, 2024.

Assumptions

Assumptions used in the December 31, 2024 OPEB valuation were based on assumptions for General and Police and Fire Employees used in the July 1, 2023 PERA of Minnesota Retirement Plan actuarial valuations. The total OPEB liability in the December 31, 2024 OPEB valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	4.08%
Inflation	2.50%
Healthcare Cost Trend Rate	8.1% for FY2025 gradually decreasing over several decades to an ultimate rate of 3.90% in FY2075 and later years

Mortality rates were based on the Pub-2010 General and Public Safety mortality tables with projected mortality improvements based on scale MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

Discount Rate

The discount rate used to measure the total OPEB liability was 4.08%.

D. Changes in the Total OPEB Liability

Changes in the City's total OPEB liability were as follows:

	Total OPEB Liability (Asset)
Balance at December 31, 2024	$ 442,483
Changes for the Year:	
Service Cost	57
Interest Cost	16,423
Differences Between Expected and Actual Experience	37,738
Changes in Assumptions	40,507
Benefit Payments	(13,828)
Net Changes	80,897
Balance at December 31, 2025	$ 523,380

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB Liability	$ 602,380	$ 523,380	$ 457,998

Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rates

The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.10% decreasing to 2.90%) or 1-percentage-point higher (9.10% decreasing to 4.90%) than the current healthcare cost trend rates:

	1% Decrease (7.10% Decreasing to 2.90%)	Current Healthcare Cost Trend Rates (8.10% Decreasing to 3.90%)	1% Increase (9.10% Decreasing to 4.90%)
Total OPEB Liability	$ 460,561	$ 523,380	$ 597,446

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized OPEB expense of $94,725.

The City reported deferred outflows of resources related to OPEB of $16,218, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2025.

NOTE 5 INTERFUND BALANCES AND TRANSFERS

As of December 31, 2025, the City had the following advances to eliminate cash deficits and for interfund debt and receivables.

Advances to Other Funds	Advances from Other Funds: General Fund	Revolving Loan Fund	Total
Interfund Balances:			
Golf Course Fund	$ 203,715	$ 40,544	$ 244,259
Nonmajor Governmental Funds:			
Cemetery Fund	7,874	-	7,874
2018 Frontage/Pine Ave Loan Fund	-	19,000	19,000
Downtown Development Fund	14,562	-	14,562
Total Interfund Balances	$ 226,151	$ 59,544	$ 285,695

The City of Blackduck, Minnesota made the following transfers between funds during 2025 as follows:

Transfer In	Transfer Out: General Fund	Golf Course Fund	Municipal Water Fund	Municipal Sewer Fund	Municipal Liquor Store Fund	Total Nonmajor Funds	Total
Operating Transfers:							
General Fund	$ -	$ -	$ -	$ -	$ 65,000	$ -	$ 65,000
Golf Course Fund	-	-	-	-	10,000	-	10,000
Fire Department Special Equipment Fund	5,000	-	-	-	-	-	5,000
Nonmajor Governmental Funds	76,000	-	24,536	24,536	3,500	-	128,572
Municipal Water Fund	1,866	-	-	-	-	-	1,866
Municipal Sewer Disposal Fund	-	-	-	-	-	72,268	72,268
Total Transfers	$ 82,866	$ -	$ 24,536	$ 24,536	$ 78,500	$ 72,268	$ 282,706

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

NOTE 6 RISK MANAGEMENT (CONTINUED)

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. The City's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 7 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

The following major (Golf fund) and nonmajor funds (2018 Frontage/Pine Ave Loan fund, Downtown Development fund, and Cemetery fund) fund balance deficit exists as of December 31, 2025:

Golf Fund	$	242,333
2018 Frontage/Pine Ave Loan Fund		7,787
Downtown Development Fund		3,844
Cemetery Fund		3,697

The deficit balance in these funds are primarily the result of project expenditures exceeding funding in the current year.

NOTE 7 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Expenditures in Excess of Budget

Expenditures exceed the budget in the following major governmental funds for the year ended December 31, 2025:

	Expenditures	Budget	Excess
General Fund	$ 1,584,697	$ 916,355	$ 668,342
Golf Course Fund	315,339	290,521	24,818

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

C. Budget Procedures

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 15 of each year, the Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution on a fund basis.
- Interdepartmental or interfund appropriations and deletions are or may be authorized by the City Council with fund (contingency) reserves or additional revenues. Additionally, Management cannot amend the budget without Council approval.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds and Enterprise Funds.
- Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Funds. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance.
- Expenditures may not legally exceed budgeted appropriations at the total fund level without City Council authorization. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, material and supplies, repairs and maintenance, purchased services, other expenditures, capital outlay, and debt service) within each activity.
- The City Council may authorize transfer of budgeted amounts between City funds.

NOTE 8 COMPONENTS OF FUND BALANCE

At December 31, 2025, a summary of the governmental fund balance classifications are as follows:

	General Fund	Golf Fund	Revolving Loan Fund	Fire Dept Special Equipment	2025 G.O. Equipment Certificate Fund	Nonmajor Governmental Funds	Total
Fund Balances:							
Nonspendable:							
Prepaid Expenses	$ 23,135	$ 3,695	$ -	$ -	$ -	$ 1,690	$ 28,520
Revolving Loan	-	-	13,218	-	-	-	13,218
Restricted:							
Pine Tree Park	-	-	-	-	-	29,323	29,323
Tax Increment Financing District	-	-	-	-	-	177,936	177,936
Housing and Redevelopment	-	-	-	-	-	34,316	34,316
Fire Hall Maintenance	-	-	-	-	-	62,293	62,293
Debt Service	-	-	-	-	-	4,381	4,381
Kitchigami Library	-	-	-	-	-	64,620	64,620
Equipment	23,308	-	-	155,835	39,700	-	218,843
Committed:							
Cemetery Perpetual Care Fund	-	-	-	-	-	55,604	55,604
Assigned:							
Compensated Absences	43,619	-	-	-	-	-	43,619
Public Works Reserve	-	-	-	-	-	40,888	40,888
Economic Development	-	-	440,090	-	-	-	440,090
Unassigned	653,893	(246,028)	-	-	-	(15,609)	392,256
Total	$ 743,955	$ (242,333)	$ 453,308	$ 155,835	$ 39,700	$ 455,442	$ 1,605,907

NOTE 9 SUBSEQUENT EVENTS

On June 8, 2026, the City of Blackduck City Council voted to approve the elimination of the Blackduck Police Department and instead contracted with the Beltrami County Sheriff's Office to provide law enforcement services. This will likely result in a significant change in expenditures for the City in future years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and Special Assessments:			
General Property Tax	$ 378,146	$ 369,514	$ (8,632)
Tax Increments	-	3,313	3,313
Total Taxes and Special Assessments	378,146	372,827	(5,319)
Licenses and Permits	3,500	590	(2,910)
Intergovernmental Revenues:			
State:			
Local Government Aids	323,855	323,855	-
Market Value Credit	-	90	90
Police Aids	13,000	12,704	(296)
Fire Aids	19,000	33,696	14,696
Other State Aid	21,871	30,310	8,439
Total Intergovernmental Revenues	377,726	400,655	22,929
Charges for Services:			
Rural Fire Contracts	824,800	824,800	-
Other	102,357	102,357	-
Total Charges for Services	927,157	927,157	-
Fines and Fees	300	60	(240)
Interest Income	1,500	15,026	13,526
Other:			
Reimbursements	8,554	17,878	9,324
Donations	-	6	6
Other	1,000	12,171	11,171
Total Other	9,554	30,055	20,501
Total Revenues	1,697,883	1,746,370	48,487

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General Government:			
Mayor and Council:			
Personal Services	$ 11,850	$ 11,465	$ 385
Materials and Supplies	4,000	1,247	2,753
Other Expenditures	600	427	173
Total Mayor and Council	16,450	13,139	3,311
Administration:			
Personal Services	150,520	154,652	(4,132)
Materials and Supplies	7,000	3,876	3,124
Purchased Services	29,692	66,422	(36,730)
Other Expenditures	5,858	775,611	(769,753)
Debt Service:			
Principal	5,160	5,378	(218)
Interest and Fiscal Fees	-	151	(151)
Total Administration	198,230	1,006,090	(807,860)
Planning/Zoning:			
Purchased Services	2,000	-	2,000
Government Buildings:			
Materials and Supplies	9,200	7,547	1,653
Repairs and Maintenance	5,400	677	4,723
Purchased Services	2,138	(7,611)	9,749
Capital Outlay	-	3,800	(3,800)
Total Government Buildings	16,738	4,413	12,325
Total General Government	233,418	1,023,642	(790,224)
Public Safety:			
Law Enforcement:			
Personal Services	214,075	125,438	88,637
Materials and Supplies	21,450	13,834	7,616
Repairs and Maintenance	4,000	2,140	1,860
Purchased Services	32,363	29,054	3,309
Other Expenditures	1,800	790	1,010
Capital Outlay	-	3,556	(3,556)
Total Law Enforcement	273,688	174,812	98,876

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (CONTINUED)			
Public Safety (Continued):			
Fire:			
Personal Services	$ 18,814	$ 16,700	$ 2,114
Materials and Supplies	27,200	22,978	4,222
Repairs and Maintenance	13,150	6,188	6,962
Purchased Services	25,311	30,672	(5,361)
Other Expenditures	20,200	33,763	(13,563)
Total Fire	104,675	110,301	(5,626)
Total Public Safety	378,363	285,113	93,250
Streets and Highways:			
Street Maintenance:			
Personal Services	99,906	107,653	(7,747)
Materials and Supplies	85,371	44,335	41,036
Repairs and Maintenance	10,000	10,478	(478)
Purchased Services	17,225	11,991	5,234
Other Expenditures	-	300	(300)
Capital Outlay	-	1,288	(1,288)
Debt Service:			
Principal	-	13,630	(13,630)
Total Street Maintenance	212,502	189,675	22,827
Street Lighting:			
Materials and Supplies	3,000	-	3,000
Repairs and Maintenance	10,000	734	9,266
Purchased Services	11,000	11,888	(888)
Total Street Lighting	24,000	12,622	11,378
Total Streets and Highways	236,502	202,297	34,205

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (CONTINUED)			
Culture and Recreation:			
Parks and Recreation:			
Personal Services	$ 13,402	$ 14,144	$ (742)
Materials and Supplies	11,375	5,332	6,043
Repairs and Maintenance	2,000	236	1,764
Purchased Services	5,671	4,124	1,547
Capital Outlay	-	16,860	(16,860)
Miscellaneous	500	280	220
Total Parks and Recreation	32,948	40,976	(8,028)
Library:			
Materials and Supplies	4,250	5,382	(1,132)
Repairs and Maintenance	7,350	464	6,886
Purchased Services	23,524	23,050	474
Total Library	35,124	28,896	6,228
Golf:			
Repairs and Maintenance	-	3,773	(3,773)
Total Culture and Recreation	68,072	73,645	(5,573)
Total Expenditures	916,355	1,584,697	(668,342)
EXCESS OF REVENUES OVER OF EXPENDITURES	781,528	161,673	716,829
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	-	1,876	1,876
Proceeds from Sale of Assets	-	50	50
Operating Transfer In	-	65,000	65,000
Operating Transfer Out	-	(82,866)	(82,866)
Total Other Financing Sources (Uses)	-	(15,940)	(15,940)
NET CHANGE IN FUND BALANCE	781,528	145,733	700,889
Fund Balances - Beginning of Year	292,232	598,222	305,990
FUND BALANCES - END OF YEAR	$ 1,073,760	$ 743,955	$ 1,006,879

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GOLF FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and Special Assessments:			
General Property Tax	$ -	$ 54	$ 54
Charges for Services	253,584	306,830	53,246
Other:			
Donations	-	3,573	3,573
Other	3,900	795	(3,105)
Total Other	3,900	4,368	468
Total Revenues	257,484	311,252	53,768
EXPENDITURES			
Culture and Recreation:			
Current	255,558	258,437	(2,879)
Capital Outlay	-	27,806	(27,806)
Total Culture and Recreation	255,558	286,243	(30,685)
Debt Service:			
Principal	34,788	28,096	6,692
Interest and Fiscal Charges	175	1,000	(825)
Total Debt Service	34,963	29,096	5,867
Total Expenditures	290,521	315,339	(24,818)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(33,037)	(4,087)	28,950
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	10,000	10,000	-
NET CHANGE IN FUND BALANCE	(23,037)	5,913	28,950
Fund Balances - Beginning of the Year	(212,354)	(237,746)	(25,392)
FUND BALANCES - END OF YEAR	$ (235,391)	$ (231,833)	$ 3,558

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF THE CITY'S AND NONEMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
GENERAL EMPLOYEE PLAN
LAST TEN YEARS

Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.0096 %	$ 319,723	$ 7,713	$ 327,436	$ 810,649	39.44 %	90.8 %
2024	0.0092	341,591	8,833	350,424	847,873	40.29	89.1
2023	0.0089	497,678	13,651	511,329	705,983	70.49	83.1
2022	0.0087	689,043	20,302	709,345	652,751	105.56	76.7
2021	0.0073	311,743	9,491	321,234	523,482	59.55	87.0
2020	0.0066	395,700	12,196	407,896	467,533	84.64	79.1
2019	0.0056	309,611	9,666	319,277	392,597	78.86	80.2
2018	0.0063	349,498	11,629	361,127	391,852	89.19	79.5
2017	0.0055	351,116	4,440	355,556	358,707	97.88	75.9
2016	0.0059	479,051	6,281	485,332	339,358	141.16	68.9

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF THE CITY'S AND NONEMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE AND FIRE PLAN
LAST TEN YEARS

Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.0059 %	$ 68,909	$ -	$ 68,909	$ 86,653	79.52 %	91.8 %
2024	0.0050	65,272	-	65,272	74,694	87.39	90.2
2023	0.0040	69,075	-	69,075	52,011	132.81	86.5
2022	0.0030	130,548	-	130,548	36,746	355.27	70.5
2021	0.0099	76,418	-	76,418	117,454	65.06	93.7
2020	0.0098	129,174	-	129,174	110,692	116.70	87.2
2019	0.0100	106,460	-	106,460	105,353	101.05	89.3
2018	0.0089	94,865	-	94,865	93,975	100.95	88.8
2017	0.0070	94,508	-	94,508	70,299	134.44	85.4
2016	0.0090	361,186	-	361,186	82,565	437.46	63.9

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEE PLAN
LAST TEN YEARS

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
2025	$ 62,805	$ 62,805	$ -	$ 810,649	7.50 %
2024	63,590	63,590	-	847,873	7.50
2023	55,320	55,320	-	737,588	7.50
2022	52,792	52,792	-	703,885	7.50
2021	42,307	42,307	-	564,099	7.50
2020	37,075	37,075	-	495,004	7.49
2019	32,576	32,576	-	424,634	7.67
2018	29,979	29,979	-	400,281	7.49
2017	27,750	27,750	-	369,998	7.50
2016	26,862	26,862	-	357,400	7.52

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF CITY'S CONTRIBUTIONS
POLICE AND FIRE PLAN
LAST TEN YEARS

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
2025	$ 15,338	$ 15,338	$ -	$ 86,653	17.70 %
2024	13,221	13,221	-	74,694	17.70
2023	10,648	10,648	-	60,848	17.50
2022	6,384	6,384	-	36,067	17.70
2021	15,119	15,119	-	85,417	17.70
2020	20,348	20,348	-	114,963	17.70
2019	18,207	18,207	-	107,416	16.95
2018	16,383	16,383	-	101,126	16.20
2017	14,402	14,402	-	88,902	16.20
2016	10,129	10,129	-	63,273	16.01

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF CHANGES IN NET POSITION LIABILITY (ASSET) AND RELATED RATIOS
BLACKDUCK FIRE RELIEF ASSOCIATION
LAST EIGHT YEARS*

	Year Ended December 31,							
	2025	2024	2023	2022	2021	2020	2019	2018
Total Pension Liability (Asset):								
Service Costs	$ 14,296	$ 9,586	$ 9,352	$ 9,586	$ 9,352	$ 9,396	$ 9,167	$ 8,943
Interest Cost	15,534	11,818	11,807	14,314	13,998	13,785	12,596	11,491
Differences Between Expected and Actual Experience	-	(6,149)	-	(14,110)	-	(8,444)	-	-
Assumption Changes	-	1,229	-	4,523	-	18	-	-
Changes of Benefit Terms	23,205	59,823	-	-	-	-	-	-
Benefit Payments	-	-	(42,400)	(14,464)	(22,600)	-	(5,940)	-
Net Change in Total Pension Liability (Asset)	53,035	76,307	(21,241)	(151)	750	14,755	15,823	20,434
Total Pension Liability - Beginning	281,586	205,279	226,520	226,671	225,921	211,166	195,343	174,909
Total Pension Liability - Ending (a)	334,621	281,586	205,279	226,520	226,671	225,921	211,166	195,343
Plan Fiduciary Net Position								
Contributions - State and Local	28,475	25,668	23,114	22,687	21,824	20,348	19,446	24,084
Net Investment Income	18,790	15,210	(13,678)	25,571	73,658	70,704	(10,829)	50,603
Other Additions	900	-	-	-	-	-	-	-
Administrative Expenses	-	-	(4,343)	(1,650)	(1,799)	(599)	(599)	(2,399)
Benefit Payments	(599)	(4,954)	(42,400)	(14,464)	(22,600)	-	(5,940)	-
Net Change in Plan Fiduciary Net Position	47,566	35,924	(37,307)	32,144	71,083	90,453	2,078	72,288
Plan Fiduciary Net Position - Beginning	535,336	499,412	536,719	504,575	433,492	343,039	340,961	268,673
Plan Fiduciary Net Position - Ending (b)	582,902	535,336	499,412	536,719	504,575	433,492	343,039	340,961
Net Pension Liability (Asset) - Ending (a) - (b)	$ (248,281)	$ (253,750)	$ (294,133)	$ (310,199)	$ (277,904)	$ (207,571)	$ (131,873)	$ (145,618)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	174.20%	190.11%	243.28%	236.94%	222.60%	191.88%	162.45%	174.54%
Covered Payroll	NA	NA	NA	NA	NA	NA	NA	NA
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	NA	NA	NA	NA	NA	NA	NA	NA

*Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
BLACKDUCK FIRE RELIEF ASSOCIATION
LAST EIGHT YEARS*

Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions
2025	$ 33,696	$ 33,696
2024	28,475	28,475
2023	25,668	25,668
2022	22,113	22,113
2021	21,687	21,687
2020	20,824	20,824
2019	19,808	19,808
2018	19,446	19,446

*Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF INVESTMENT RETURNS
BLACKDUCK FIRE RELIEF ASSOCIATION
LAST EIGHT YEARS*

Year Ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2025	3.5 %
2024	3.5
2023	(2.6)
2022	5.2
2021	17.1
2020	20.6
2019	(3.2)
2018	18.7

*Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE YEARS*

	2025	2024	2023	2022	2021
Total OPEB Liability:					
Service Cost	$ 57	$ 54	$ 228	$ 214	$ -
Interest	16,423	16,810	14,113	15,001	-
Assumption Changes	40,507	17,204	(161,790)	20,761	-
Differences Between Expected and Actual Experience	37,738	142	(189,219)	(5,760)	754,805
Benefit Payments	(13,828)	(13,482)	(16,668)	(9,930)	-
Net Changes in Total OPEB Liability	80,897	20,728	(353,336)	20,286	754,805
Total OPEB Liability - Beginning	442,483	421,755	775,091	754,805	-
Total OPEB Liability - Ending	$ 523,380	$ 442,483	$ 421,755	$ 775,091	$ 754,805
Covered Payroll	$ 737,620	$ 670,030	$ 597,093	$ 462,782	$ 624,986
City's Net OPEB Liability as a Percentage of Covered Payroll	70.96%	66.04%	70.63%	167.49%	120.77%

*Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

See accompanying Notes to Required Supplementary Information.

NOTE 1 BUDGETARY DATA

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, certain Special Revenue Funds, and Enterprise Funds. The City is not legally required to adopt a budget for the Revolving Loan Fund. Therefore, budget comparison information is not included in the City's financial statements.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adjusted. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

Expenditures exceed the budget in the following major governmental funds for the year ended December 31, 2025:

	Expenditures	Budget	Excess
General Fund	$ 1,584,697	$ 916,355	$ 668,342
Golf Course Fund	315,339	290,521	24,818

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

NOTE 2 PENSIONS

General Employees Fund

2025 Changes:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

NOTE 2 PENSIONS (CONTINUED)

General Employees Fund (Continued)

2025 Changes (Continued):

Changes in Plan Provisions (Continued):

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023 Changes:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

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

NOTE 2 PENSIONS (CONTINUED)

General Employees Fund (Continued)

2022 Changes:

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

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

2021 Changes:

Changes in Actuarial Assumptions:
- The investment return and single discount rates were changed from 7.5% to 6.5%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

2020 Changes:

Changes in Actuarial Assumptions:
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

NOTE 2 PENSIONS (CONTINUED)

General Employees Fund (Continued)

2020 Changes (Continued):

Changes in Actuarial Assumptions (Continued):

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from .8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

NOTE 2 PENSIONS (CONTINUED)

General Employees Fund (Continued)

2017 Changes (Continued):

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes:

Changes in Actuarial Assumptions:

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

2015 Changes:

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2030 and 2.5% per year thereafter to 1% per year through 2035 and 2.5% per year thereafter.

NOTE 2 PENSIONS (CONTINUED)

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.
- 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 and 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.

NOTE 2 PENSIONS (CONTINUED)

Police and Fire Fund (Continued)

2024 Changes:

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

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

2023 Changes:

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%

Changes in Plan Provisions:

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

2022 Changes:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions:

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

NOTE 2 PENSIONS (CONTINUED)

Police and Fire Fund (Continued)

2021 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020 Changes:

Changes in Actuarial Assumptions:

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

2019 Changes:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

NOTE 2 PENSIONS (CONTINUED)

Police and Fire Fund (Continued)

2018 Changes:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average .34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of .96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

NOTE 2 PENSIONS (CONTINUED)

Police and Fire Fund (Continued)

2017 Changes (Continued):

Changes in Actuarial Assumptions (Continued):

- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

2016 Changes:

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The single discount changed from 7.90% to 5.60%
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes:

Changes in Plan Provisions:

- The post-retirement benefit increases to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2030 and 2.5% per year thereafter to 1% per year through 2037 and 2.5% per year thereafter.

Details, if necessary, can be obtained from PERA ACFR.

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

2025 Changes:

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.77% to 4.08%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated to use the 2023 PERA of Minnesota General Employees Retirement Plan experience study, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and the 2024 PERA of Minnesota Public Employees Police & Fire Plan experience study, Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2021.

2024 Changes:

Changes in Actuarial Assumptions:

- The discount rate was changed from 4.05% to 3.77%.
- The inflation rate was consistent at 2.50% similar to prior year.

2023 Changes:

Changes in Actuarial Assumptions:

- The discount rate was changed from 1.84% to 4.05%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA Police and Fire Plan valuations to the rates used in the 7/1/2022 valuations.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.00% to 3.25% based on the 7/1/2022 PERA valuations.

2022 Changes:

Changes in Actuarial Assumptions:

- The discount rate was changed from 2.00% to 1.84%.

SUPPLEMENTARY INFORMATION

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

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 302,037	$ 179,152	$ 15,393	$ 496,582
Accounts Receivable	426	-	-	426
Due from Other Governments	-	26,152	-	26,152
Property Taxes Receivable	640	-	19,184	19,824
Prepaid Expenses	1,690	-	-	1,690
Total Assets	$ 304,793	$ 205,304	$ 34,577	$ 544,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 687	$ 16,901	$ -	$ 17,588
Accrued Salaries and Wages Payable	871	-	-	871
Advance to Other Funds	7,874	14,562	19,000	41,436
Total Liabilities	9,432	31,463	19,000	59,895
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	470	9,884	18,983	29,337
FUND BALANCES				
Nonspendable	1,690	-	-	1,690
Restricted	241,575	126,913	4,381	372,869
Committed	55,604	-	-	55,604
Assigned	-	40,888	-	40,888
Unassigned	(3,978)	(3,844)	(7,787)	(15,609)
Total Fund Balances	294,891	163,957	(3,406)	455,442
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 304,793	$ 205,304	$ 34,577	$ 544,674

CITY OF BLACKDUCK, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES				
General Property Taxes	$ 8,268	$ -	$ 36,634	$ 44,902
Sales Taxes	-	71,164	-	71,164
Special Assessments	-	-	3,708	3,708
Tax Increments	21,138	-	-	21,138
Charges for Services	21,360	-	-	21,360
Intergovernmental Revenues	11,000	21,475	-	32,475
Interest Income	3,329	3,038	279	6,646
Donations and Grants	600	57,583	-	58,183
Other	127	-	-	127
Total Revenues	65,822	153,260	40,621	259,703
EXPENDITURES				
Current:				
Culture and Recreation	25,766	82,707	-	108,473
Cemetery	20,501	-	-	20,501
Capital Outlay	500	12,556	-	13,056
Debt Service:				
Principal	-	-	31,631	31,631
Interest and Fiscal Charges	19,500	-	52,341	71,841
Total Expenditures	66,267	95,263	83,972	245,502
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(445)	57,997	(43,351)	14,201
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	7,800	131,583	49,072	188,455
Operating Transfers Out	(2,300)	(57,583)	(72,268)	(132,151)
Sale of Property	-	2,400	-	2,400
Insurance Proceeds	2,180	-	-	2,180
Total Other Financing Sources (Uses)	7,680	76,400	(23,196)	60,884
NET CHANGE IN FUND BALANCES	7,235	134,397	(66,547)	75,085
Fund Balances - Beginning of Year	287,656	29,560	63,141	380,357
FUND BALANCES - END OF YEAR	$ 294,891	$ 163,957	$ (3,406)	$ 455,442

CITY OF BLACKDUCK, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Cemetery Fund	Perpetual Care Fund	Pine Tree Park Fund	Tax Increment Financing Districts	Housing and Redevelopment Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash	$ 4,840	$ 55,603	$ 29,512	$ 177,936	$ 34,146	$ 302,037
Accounts Receivable	63	1	362	-	-	426
Property Taxes Receivable	-	-	-	-	640	640
Prepaid Expenses	281	-	1,409	-	-	1,690
Total Assets	$ 5,184	$ 55,604	$ 31,283	$ 177,936	$ 34,786	$ 304,793
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	$ 550	$ -	$ 137	$ -	$ -	$ 687
Accrued Salaries and Wages Payable	457	-	414	-	-	871
Advance to Other Funds	7,874	-	-	-	-	7,874
Total Liabilities	8,881	-	551	-	-	9,432
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	470	470
FUND BALANCES						
Nonspendable	281	-	1,409	-	-	1,690
Restricted	-	-	29,323	177,936	34,316	241,575
Committed	-	55,604	-	-	-	55,604
Unassigned	(3,978)	-	-	-	-	(3,978)
Total Fund Balances	(3,697)	55,604	30,732	177,936	34,316	294,891
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,184	$ 55,604	$ 31,283	$ 177,936	$ 34,786	$ 304,793

CITY OF BLACKDUCK, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	Cemetery Fund	Perpetual Care Fund	Pine Tree Park Fund	Tax Increment Financing Districts	Housing and Redevelopment Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Tax Increments	$ -	$ -	$ -	$ 21,138	$ -	$ 21,138
General Property Taxes	-	-	-	-	8,268	8,268
Charges for Services	-	-	21,360	-	-	21,360
Intergovernmental Revenues	-	-	11,000	-	-	11,000
Interest Income	2,250	137	942	-	-	3,329
Donations and Grants	-	600	-	-	-	600
Other	28	-	99	-	-	127
Total Revenues	2,278	737	33,401	21,138	8,268	65,822
EXPENDITURES						
Current:						
Culture and Recreation	-	-	25,766	-	-	25,766
Cemetery	12,439	8,062	-	-	-	20,501
Capital Outlay	-	500	-	-	-	500
Debt Service:						
Interest and Fiscal Charges	-	-	-	19,500	-	19,500
Total Expenditures	12,439	8,562	25,766	19,500	-	66,267
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,161)	(7,825)	7,635	1,638	8,268	(445)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,800	-	-	-	-	7,800
Operating Transfers Out	-	(2,300)	-	-	-	(2,300)
Insurance Proceeds	2,180	-	-	-	-	2,180
Total Other Financing Sources (Uses)	9,980	(2,300)	-	-	-	7,680
NET CHANGE IN FUND BALANCES	(181)	(10,125)	7,635	1,638	8,268	7,235
Fund Balances - Beginning of Year	(3,516)	65,729	23,097	176,298	26,048	287,656
FUND BALANCES - END OF YEAR	$ (3,697)	$ 55,604	$ 30,732	$ 177,936	$ 34,316	$ 294,891

CITY OF BLACKDUCK, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Public Works Reserve Fund	Downtown Development Fund	Fire Hall Maintenance Fund	Kitchigami Library Renovation Fund	Total Nonmajor Capital Project Funds
ASSETS					
Cash	$ 40,888	$ 10,718	$ 62,293	$ 65,253	179,152
Due from Other Governments	-	-	-	26,152	26,152
Total Assets	$ 40,888	$ 10,718	$ 62,293	$ 91,405	$ 205,304
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ -	$ -	$ -	$ 16,901	$ 16,901
Advance to Other Funds	-	14,562	-	-	14,562
Total Liabilities	-	14,562	-	16,901	31,463
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	9,884	9,884
FUND BALANCES					
Restricted	-	-	62,293	64,620	126,913
Assigned	40,888	-	-	-	40,888
Unassigned	-	(3,844)	-	-	(3,844)
Total Fund Balances	40,888	(3,844)	62,293	64,620	163,957
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 40,888	$ 10,718	$ 62,293	$ 91,405	$ 205,304

CITY OF BLACKDUCK, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	Public Works Reserve Fund	Downtown Development Fund	Fire Hall Maintenance Fund	Kitchigami Library Renovation Fund	Total Nonmajor Capital Project Funds
REVENUES					
Sales Taxes	$ -	$ -	$ -	$ 71,164	$ 71,164
Intergovernmental Revenues	-	-	-	21,475	21,475
Interest Income	400	544	1,833	261	3,038
Donations and Grants	-	57,583	-	-	57,583
Total Revenues	400	58,127	1,833	92,900	153,260
EXPENDITURES					
Current:					
Culture and Recreation	-	-	-	82,707	82,707
Capital Outlay	-	2,400	-	10,156	12,556
Total Expenditures	-	2,400	-	92,863	95,263
EXCESS OF REVENUES OVER EXPENDITURES	400	55,727	1,833	37	57,997
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	37,000	-	30,000	64,583	131,583
Operating Transfers Out	-	(57,583)	-	-	(57,583)
Sale of Property	-	2,400	-	-	2,400
Total Other Financing Sources (Uses)	37,000	(55,183)	30,000	64,583	76,400
NET CHANGE IN FUND BALANCES	37,400	544	31,833	64,620	134,397
Fund Balances - Beginning of Year	3,488	(4,388)	30,460	-	29,560
FUND BALANCES - END OF YEAR	$ 40,888	$ (3,844)	$ 62,293	$ 64,620	$ 163,957

CITY OF BLACKDUCK, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	2023 G.O. Bond	2024 G.O. Bond	Total Nonmajor Debt Service Funds
ASSETS					
Cash	$ 1,178	$ 11,213	$ 2,550	$ 452	$ 15,393
Property Taxes Receivable	640	16,451	2,093	-	19,184
Total Assets	$ 1,818	$ 27,664	$ 4,643	$ 452	$ 34,577
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Advance to Other Funds	$ -	$ 19,000	$ -	$ -	$ 19,000
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	649	16,451	1,500	383	18,983
FUND BALANCES					
Restricted	1,169	-	3,143	69	4,381
Unassigned	-	(7,787)	-	-	(7,787)
Total Fund Balances	1,169	(7,787)	3,143	69	(3,406)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,818	$ 27,664	$ 4,643	$ 452	$ 34,577

CITY OF BLACKDUCK, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	2023 G.O. Bond	2024 G.O. Bonds	Total Nonmajor Debt Service Funds
REVENUES					
General Property Taxes	$ 340	$ -	$ 27,386	$ 8,908	$ 36,634
Special Assessments	-	3,708	-	-	3,708
Interest Income	4	256	19	-	279
Total Revenues	344	3,964	27,405	8,908	40,621
EXPENDITURES					
Debt Service:					
Principal	-	-	31,631	-	31,631
Interest and Fiscal Charges	-	360	43,142	8,839	52,341
Total Expenditures	-	360	74,773	8,839	83,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	344	3,604	(47,368)	69	(43,351)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	49,072	-	49,072
Operating Transfers Out	(72,268)	-	-	-	(72,268)
Total Other Financing Sources (Uses)	(72,268)	-	49,072	-	(23,196)
NET CHANGE IN FUND BALANCES	(71,924)	3,604	1,704	69	(66,547)
Fund Balances - Beginning of Year	73,093	(11,391)	1,439	-	63,141
FUND BALANCES - END OF YEAR	$ 1,169	$ (7,787)	$ 3,143	$ 69	$ (3,406)