

CITY OF MILACA  
CITY COUNCIL MEETING  
COUNCIL AGENDA  
JUNE 17, 2026

**1. Call Meeting to Order 6:00 p.m.**

**2. Pledge of Allegiance**

**3. Roll Call – Present:** Mayor: Dave Dillan\_\_\_\_ Council Members: Norris Johnson\_\_\_\_ Lindsee Larsen\_\_\_\_  
Tim Poorker\_\_\_\_ **Absent:**\_\_\_\_\_

**4. Approval of Agenda**

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

**5. Consent Agenda**

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

- a. Approval of Minutes – May 21, 2026
- b. Approval of Bills
- c. Resolution 26-13 Resolution Accepting Donation

**6. Open Forum (5-minute limit)**

**7. Public Hearing**

**8. Requests and Communications (5-minute limit)**

- a. Bryan Herbst

**9. Ordinances and Resolutions**

- a. Ordinance #555 Chapter 34 Water Rates and Charges; Schedule Pool Filling-  
Second Reading
- b. Ordinance #556 Amending Tall Grass Height – First Reading
- c. Resolution 26-14 Resolution of Application to the MPFA

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

**10. Reports of Departments, Boards and Commissions**

- a. City Manager –
  - 1. Auditors Presentation of the Audited Financial Statements (Handout)
  - 2. Report to the Members of Governance
  - 3. Audited Financial Statements December 31, 2025

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

- b. Police - (Info only) Incident Summary
- c. Parks —
- d. Public Works —

- 1. Authorize Design Phase – 2027 Water Tower Maintenance Project

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

- 2. Approval of Plans and Authorization to Obtain Bids for Street Grading

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_ AIF\_\_O\_\_

- e. Liquor Store —
- f. Fire Department —

g. Planning and Zoning —

h. Airport —

**11. Committees**

a. Budget —

b. EDC —

**12. Unfinished Business**

**13. New Business**

**14. Miscellaneous**

a. Closed meeting - Client Attorney Privilege

Time Meeting Closed \_\_\_\_\_ p.m.

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_AIF\_\_O\_\_

Time Meeting Re-Opened \_\_\_\_\_ p.m.

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_AIF\_\_O\_\_

**15. Council Comments**

**16. Adjournment**

MB\_\_\_\_2<sup>nd</sup>\_\_\_\_AIF\_\_O\_\_

Time\_\_\_\_\_

**§ 30.19 ORDER OF BUSINESS; AGENDA**

(C) Unless the Council, in its discretion, votes to consider matters not appearing on the agenda, no item of business shall be considered unless it appears on the agenda for the meeting.

**CITY OF MILACA  
COUNCIL MINUTES  
May 21, 2026**

**Call to Order**

Mayor Dillan called the meeting of the Milaca City Council to order at 6:02 p.m.

**Pledge of Allegiance**

**Roll Call**

Upon roll call, the following council members were present: Mayor Dave Dillan; Councilors: Lindsee Larsen, Norris Johnson, and Tim Poorker.

Staff present: City Manager Tammy Pfaff, Communications Specialist Mary Mickelson, Police Chief Quinn Rasmussen, Police Officer Steven Jerde, Fire Chief Jesse Gerads, Assistant Fire Chief Chris Ehlen, Utility Billing/AP Mary Beth Niedzielski, and City Attorney Damien Toven.

Others present: Samantha Bohnenblust and Jerry Jacobson

**Approval of Agenda**

Mayor Dillan called for a motion to approve the agenda. Larsen made a motion for approval, seconded by Johnson. Mayor Dillan under 9 added letter *e* – Resolution 26-12 a Resolution Accepting Resignation and Declaring A Vacancy. With no other additions or discussion, all in favor of the approval of the agenda. Motion passes.

**Approval of Consent Agenda**

1. Approval of Minutes – April 16, 2026
2. Approval of Bills

Mayor Dillan called for a motion to approve the consent agenda. Poorker made a motion for approval, seconded by Larsen. All in favor of approving consent agenda. Motion passes.

**Citizen Open Forum**

**Public Hearing**

**Requests and Communications**

Declaration of Appreciation - Ken Muller

Mayor Dillan shares appreciation for the time and talent Ken gave the City of Milaca. Mayor Dillan requested a moment of silence for reflection on Ken.

**Ordinances and Resolutions**

- a. *Resolution 26-09 Approving a Minor Subdivision of 320 River Dr W:*  
Poorker questioned if the minor lot split should go before Planning Commission. Pfaff stated that it was not necessary for the subdivision to go before Planning Commission. Engineers have reviewed the subdivision. Surveys are complete. Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Larsen. No further discussion. All in favor of Resolution 26-09 approving a minor subdivision at 320 River Dr W. Motion passes.
- b. *Resolution 26-10 Street Closure for the Milaca Chamber Parade:*  
Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Larsen. No further discussion. All in favor of Resolution 26-10 street closure for the parade. Motion passes.

- c. *Resolution 26-11 Budget Adjustment for Public Works and Fire Dept:*  
Mayor Dillan called for a motion to approve. Motion by Poorker, seconded by Johnson. All in favor of Resolution 26-11. Motion passes.
- d. *Ordinance #555 Chapter 34 Water Rate and Charges; Schedule Pool Filling-First Reading:*  
Mayor Dillan called for a motion to approve. Motion by Poorker, seconded by Larsen. Poorker stated all the revenue should not go to the water fund since the Fire Dept has wear and tear and maintenance on the equipment so some of the money should go to the Fire Dept fund. Pfaff stated that \$100 will go to the water fund and \$50 will go to the Fire Dept per load. Pfaff stated we have \$4,000 going to water treatment every month. Dillan stated fire has expenses, water has expenses, and this will be beneficial no matter where the money goes. Pfaff stated the money goes under the line-item Fire Calls, in the General Fund. Poorker is wondering about a 50/50 split. Dillan stated this is the first reading and we will continue to work on ideas. All in favor of Ordinance 555 first reading. Motion passes.
- e. *Resolution 26-12 A Resolution Accepting Resignation and Declaring A Vacancy:*  
Mayor Dillan called for motion to approve. Motion by Poorker, seconded by Larsen. Dillan stated we can leave the seat vacant for the time being with Ken Muller recently passing away. City Attorney Toven stated we could make an appointment for the time being or wait until the next election. That decision does not need to be made at this time. All in favor of Resolution 26-12. Motion passes

### **Reports of Departments, Boards and Commissions**

#### *City Manager -*

*Police* – Police Officer Steven Jerde is sworn in.

*Parks* - Rec Park Pump Track and Trail Loop Donation. Mayor Dillan calls for a motion of approval. Motion by Larsen, seconded by Poorker. Dillan stated this is a great addition to our trails. The Pump Track and Trail Loop will not affect Disc Golf, and it will not interfere with camping. All in favor of accepting the donation. Motion passes.

*Public Works* - Award bid for the manhole project. Option 1 base bid \$78,702.10 and option 2 is deleting Central Ave alley manhole decreased bid of \$15,383.47. For a revised bid amount of \$63,318.63 with Hjort Excavating's quote of \$15,000 for completing Central Ave alley manhole. Mayor Dillan calls for a motion to approve. Motion by Larsen for option 2, seconded by Johnson. All in favor of manhole bid. Motion passes with awarding bid to Kirchoff Construction Inc. and Hjort Excavating.

Award bid for Rum River Special Education Coop School Utility Improvements. Mayor Dillan called for a motion to approve. Motion by Poorker, seconded by Johnson. All in favor of awarding the utility improvement bid. Motion passes.

*Liquor Store* - Mayor Dillan noted that the 80<sup>th</sup> Anniversary Celebration noon until 4 is on May 23, 2026.

*Fire Department* – 2005 Peterbilt Rescue Truck Purchase Agreement \$100,000. Mayor Dillan asked for a motion. Motion by Larsen, seconded by Johnson. All in favor of the truck purchase agreement. Motion passes.

#### *Planning and Zoning -*

*Airport* – Information on pre-construction meeting 4/27 and Taxi Lane Project start date June 15<sup>th</sup>.

### **Committees**

#### *Budget -*

*EDC* – Empowering Small Minnesota Communities Summary. Dave requested Mary Mickelson to post this to the City’s webpage.

**Unfinished Business**

**New Business**

1. DAC requested \$20,000 from Gambling fund for We-Go Swing: Mayor Dillan called for a motion to approve. Motion by Johnson, seconded by Poorker. Dillan will abstain from voting since he is on the DAC Board. All in favor. Motion Passes.
2. Special Event Milaca Chamber Special Event Parade: Mayor Dillan called for a motion to approve. Motion made by Larsen, seconded by Johnson. All in favor of the Chamber Parade. Motion Passes.
3. Change June 18<sup>th</sup> Council Meeting due to Chamber parade to June 17<sup>th</sup>: Mayor Dillan called for a motion to approve. Motion made by Johnson, seconded by Larsen. Poorker mentioned he will be out of state for that meeting. Motion Passes.

**Miscellaneous**

**Council Comments**

Councilmember Johnson stated that he misses Ken.

Councilmember Poorker commented on the potholes getting bad. Pfaff stated the seasonal workers will be starting soon and Public Works will be working to repair the potholes. Poorker mentioned that a swing at Reineke Park needs repair. Pfaff mentioned that Poorker should reach out to her to notify her of these things.

Mayor Dillan mentioned the school’s day of service was a few weeks. Thank you to the students, staff, and Colleen Bell who organizes the day of service for 900 kids. It was a great success.

**Adjourn**

Mayor Dillan entertained a motion to adjourn. Motion made by Poorker, seconded by Larsen to adjourn. No further discussion. All in favor, motion to adjourn passes. Meeting adjourned at 6:41 p.m.

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Mayor Dave Dillan

Attest:

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Tammy Pfaff, City Manager

Check Number	Check Issue Date	Payee	Invoice Number	Invoice Date	In S	Invoice GL Account	Check Amount	Description
53859	05/15/26	MILLE LACS CO. RECORDER	041026	05/15/2026	1	101-41940-433	20.00	NOTARY - J. DAVID
Total 53859:							20.00	
53860	05/15/26	MILLE LACS CO. RECORDER	042926-1	04/29/2026	1	101-45200-437	1.65	DEED TAX FOR QUIT CLAIM DEED RIVER OAKS
Total 53860:							1.65	
53861	05/27/26	BELLBOY CORP.	0111150400	05/14/2026	1	609-49750-254	295.01	NA
53861	05/27/26	BELLBOY CORP.	0111150400	05/14/2026	2	609-49750-333	7.38	DELIVERY
53861	05/27/26	BELLBOY CORP.	0211344400	05/14/2026	1	609-49750-251	2,022.06	LIQUOR
53861	05/27/26	BELLBOY CORP.	0211344400	05/14/2026	2	609-49750-333	21.45	DELIVERY
Total 53861:							2,345.90	
53862	05/27/26	BERNICKS	10488203	05/06/2026	1	609-49750-252	853.05	BEER
53862	05/27/26	BERNICKS	10488204	05/06/2026	1	609-49750-254	76.80	NA
53862	05/27/26	BERNICKS	10490895	05/13/2026	1	609-49750-252	1,503.65	BEER
53862	05/27/26	BERNICKS	10490895	05/13/2026	2	609-49750-254	186.00	NA
53862	05/27/26	BERNICKS	10490896	05/13/2026	1	609-49750-254	62.71	NA
53862	05/27/26	BERNICKS	10490897	05/13/2026	1	609-49750-252	333.00	CREDIT BEER
53862	05/27/26	BERNICKS	10493024	05/20/2026	1	609-49750-252	1,963.25	BEER
53862	05/27/26	BERNICKS	10493025	05/20/2026	1	609-49750-254	36.00	NA
53862	05/27/26	BERNICKS	10493026	05/20/2026	1	609-49750-252	30.00	CREDIT BEER
Total 53862:							4,318.46	
53863	05/27/26	BLUEOCO LLC	203135	05/06/2026	1	609-49750-259	500.00	OTHER FOR RESALE
Total 53863:							500.00	
53864	05/27/26	BREAKTHRU BEVERAGE MN B	127023550	05/15/2026	1	609-49750-251	139.50	LIQUOR
Total 53864:							139.50	
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126787500	05/01/2026	1	609-49750-251	1,904.51	LIQUOR
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126787500	05/01/2026	2	609-49750-253	84.00	WINE
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126787500	05/01/2026	3	609-49750-254	60.22	NA
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126787500	05/01/2026	4	609-49750-333	37.12	DELIVERY
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126895006	05/07/2026	1	609-49750-254	24.00	NA
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126895006	05/07/2026	2	609-49750-251	1,616.00	LIQUOR
53865	05/27/26	BREAKTHRU BEVERAGE MN W	126895006	05/07/2026	3	609-49750-333	51.80	DELIVERY
53865	05/27/26	BREAKTHRU BEVERAGE MN W	127023180	05/15/2026	1	609-49750-251	2,178.02	LIQUOR
53865	05/27/26	BREAKTHRU BEVERAGE MN W	127023180	05/15/2026	2	609-49750-333	42.55	DELIVERY
Total 53865:							5,998.22	
53866	05/27/26	C & L DISTRIBUTING CO.	2292537	05/08/2026	1	609-49750-259	180.00	OTHER FOR RESALE
53866	05/27/26	C & L DISTRIBUTING CO.	2292538	05/06/2026	1	609-49750-333	5.00	DELIVERY
53866	05/27/26	C & L DISTRIBUTING CO.	2292538	05/06/2026	2	609-49750-254	145.70	NA
53866	05/27/26	C & L DISTRIBUTING CO.	2292538	05/06/2026	3	609-49750-251	1,735.60	LIQUOR
53866	05/27/26	C & L DISTRIBUTING CO.	2292538	05/06/2026	4	609-49750-252	10,743.60	BEER
53866	05/27/26	C & L DISTRIBUTING CO.	2296362	05/13/2026	1	609-49750-259	231.00	OTHER FOR RESALE
53866	05/27/26	C & L DISTRIBUTING CO.	2296365	05/13/2026	1	609-49750-251	1,576.84	LIQUOR
53866	05/27/26	C & L DISTRIBUTING CO.	2296365	05/13/2026	2	609-49750-252	13,539.55	BEER
53866	05/27/26	C & L DISTRIBUTING CO.	2296365	05/13/2026	3	609-49750-253	142.55	WINE
53866	05/27/26	C & L DISTRIBUTING CO.	2296365	05/13/2026	4	609-49750-254	309.27	NA
53866	05/27/26	C & L DISTRIBUTING CO.	2296365	05/13/2026	5	609-49750-333	5.00	DELIVERY

Check Number	Check Issue Date	Payee	Invoice Number	Invoice Date	In S	Invoice GL Account	Check Amount	Description
53866	05/27/26	C & L DISTRIBUTING CO.	2300740	05/20/2026	1	609-49750-259	788.00	OTHER FOR RESALE
53866	05/27/26	C & L DISTRIBUTING CO.	2300741	05/20/2026	1	609-49750-251	880.00	LIQUOR
53866	05/27/26	C & L DISTRIBUTING CO.	2300741	05/20/2026	2	609-49750-252	9,426.90	BEER
53866	05/27/26	C & L DISTRIBUTING CO.	2300741	05/20/2026	3	609-49750-253	127.10	WINE
53866	05/27/26	C & L DISTRIBUTING CO.	2300741	05/20/2026	4	609-49750-254	75.45	NA
53866	05/27/26	C & L DISTRIBUTING CO.	2300741	05/20/2026	5	609-49750-333	5.00	DELIVERY
53866	05/27/26	C & L DISTRIBUTING CO.	3702001296	05/08/2026	1	609-49750-251	59.20	CREDIT LIQUOR
53866	05/27/26	C & L DISTRIBUTING CO.	3702001305	05/13/2026	1	609-49750-252	17.05	CREDIT BEER
53866	05/27/26	C & L DISTRIBUTING CO.	3702001306	05/13/2026	1	609-49750-251	3.14	CREDIT LIQUOR
53866	05/27/26	C & L DISTRIBUTING CO.	3702001312	05/20/2026	1	609-49750-254	11.20	CREDIT NA
Total 53866:							39,825.97	
53867	05/27/26	CRYSTAL SPRINGS ICE	02-604218	05/19/2026	1	609-49750-259	412.68	OTHER FOR RESALE - ICE
53867	05/27/26	CRYSTAL SPRINGS ICE	02-604218	05/19/2026	2	609-49750-333	4.00	DELIVERY
53867	05/27/26	CRYSTAL SPRINGS ICE	604064	05/05/2026	1	609-49750-259	368.64	OTHER FOR RESALE - ICE
53867	05/27/26	CRYSTAL SPRINGS ICE	604064	05/05/2026	2	609-49750-333	4.00	DELIVERY
Total 53867:							789.32	
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2762003	05/05/2026	1	609-49750-251	1,009.10	LIQUOR
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2762003	05/05/2026	2	609-49750-252	19,877.77	BEER
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2762003	05/05/2026	3	609-49750-253	569.90	WINE
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2762003	05/05/2026	4	609-49750-254	62.25	NA
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2766148	05/12/2026	1	609-49750-251	506.20	LIQUOR
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2766148	05/12/2026	2	609-49750-252	14,099.25	BEER
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2766148	05/12/2026	3	609-49750-254	329.00	NA
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2766148	05/12/2026	4	609-49750-259	222.00	OTHER FOR RESALE
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2766148	05/12/2026	5	609-49750-260	90.00	DEPOSIT
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2768196	05/06/2026	1	609-49750-252	154.00	CREDIT BEER
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2768196	05/06/2026	2	609-49750-253	115.20	CREDIT WINE
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2771391	05/19/2026	1	609-49750-252	43.40	CREDIT BEER
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2777644	05/19/2026	1	609-49750-251	3,245.98	LIQUOR
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2777644	05/19/2026	2	609-49750-252	12,569.92	BEER
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2777644	05/19/2026	3	609-49750-253	175.00	WINE
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2777644	05/19/2026	4	609-49750-254	526.35	NA
53868	05/27/26	DAHLHEIMER DISTRIBUTING C	2777644	05/19/2026	5	609-49750-259	470.00	OTHER FOR RESALE
Total 53868:							53,440.12	
53869	05/27/26	DANELEK, DAVID	10-1851-00	05/01/2026	1	001-10005	8.54	REFUND CREDIT ON FINAL WATER BILL - 804 11TH
Total 53869:							8.54	
53870	05/27/26	GRANITE CITY JOBBING	521297	05/01/2026	1	609-49750-256	333.16	TOBACCO
53870	05/27/26	GRANITE CITY JOBBING	521297	05/01/2026	2	609-49750-259	36.00	OTHER FOR RESALE
53870	05/27/26	GRANITE CITY JOBBING	521297	05/01/2026	3	609-49750-333	10.00	DELIVERY
53870	05/27/26	GRANITE CITY JOBBING	521495	05/01/2026	1	609-49750-259	6.00	CREDIT OTHER FOR RESALE
53870	05/27/26	GRANITE CITY JOBBING	522456	05/01/2026	1	609-49750-256	178.98	TOBACCO
53870	05/27/26	GRANITE CITY JOBBING	522456	05/01/2026	2	609-49750-259	172.68	OTHER FOR RESALE
53870	05/27/26	GRANITE CITY JOBBING	522619	05/08/2026	1	609-49750-256	246.42	TOBACCO
53870	05/27/26	GRANITE CITY JOBBING	522619	05/08/2026	2	609-49750-259	1,205.48	OTHER FOR RESALE
53870	05/27/26	GRANITE CITY JOBBING	522619	05/08/2026	3	609-49750-217	103.69	OTHER OPERATING SUPPLIES
53870	05/27/26	GRANITE CITY JOBBING	522619	05/08/2026	4	609-49750-333	10.00	DELIVERY
53870	05/27/26	GRANITE CITY JOBBING	523832	05/08/2026	1	609-49750-217	22.67	OTHER OPERATING SUPPLIES
53870	05/27/26	GRANITE CITY JOBBING	523832	05/08/2026	2	609-49750-254	54.30	NA
53870	05/27/26	GRANITE CITY JOBBING	523832	05/08/2026	3	609-49750-256	299.30	TOBACCO
53870	05/27/26	GRANITE CITY JOBBING	523832	05/08/2026	4	609-49750-259	163.72	OTHER FOR RESALE

Check Number	Check Issue Date	Payee	Invoice Number	Invoice Date	In S	Invoice GL Account	Check Amount	Description
53870	05/27/26	GRANITE CITY JOBBING	524477	05/15/2026	1	609-49750-217	226.89	OTHER OPERATING SUPPLIES
53870	05/27/26	GRANITE CITY JOBBING	524477	05/15/2026	2	609-49750-333	10.00	DELIVERY
53870	05/27/26	GRANITE CITY JOBBING	525323	05/15/2026	1	609-49750-256	209.82	TOBACCO
53870	05/27/26	GRANITE CITY JOBBING	525323	05/15/2026	2	609-49750-259	137.37	OTHER FOR RESALE
53870	05/27/26	GRANITE CITY JOBBING	525323	05/15/2026	3	609-49750-217	236.40	OTHER OPERATING SUPPLIES
53870	05/27/26	GRANITE CITY JOBBING	525329	05/15/2026	1	609-49750-217	25.52	OTHER OPERATING SUPPLIES
Total 53870:							3,676.40	
53871	05/27/26	JEPSON, BETTY	31-0720-00	05/01/2026	1	001-10005	5.13	REFUND CREDIT ON FINAL WATER BILL - 1005 TH
Total 53871:							5.13	
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044385	05/04/2026	1	609-49750-253	29.38	WINE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044750	05/05/2026	1	609-49750-251	5,696.42	LIQUOR
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044750	05/05/2026	2	609-49750-253	565.90	WINE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044750	05/05/2026	3	609-49750-254	37.00	NA
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044750	05/05/2026	4	609-49750-259	18.20	CREDIT OTHER FOR RESALE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1044750	05/05/2026	5	609-49750-333	120.00	DELIVERY
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1049596	05/12/2026	1	609-49750-251	2,148.08	LIQUOR
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1049596	05/12/2026	2	609-49750-253	140.00	WINE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1049596	05/12/2026	3	609-49750-333	42.00	DELIVERY
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1054297	05/19/2026	1	609-49750-251	7,367.26	LIQUOR
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1054297	05/19/2026	2	609-49750-253	570.90	WINE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1054297	05/19/2026	3	609-49750-254	185.00	NA
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1054297	05/19/2026	4	609-49750-259	120.66	CREDIT OTHER FOR RESALE
53872	05/27/26	JOHNSON BROTHERS LIQUOR	1054297	05/19/2026	5	609-49750-333	91.75	DELIVERY
Total 53872:							16,854.83	
53873	05/27/26	JOHNSON, WARNE	31-6410-00	05/01/2026	1	001-10005	15.00	REFUND CREDIT ON FINAL WATER BILL - 530 HWY
Total 53873:							15.00	
53874	05/27/26	M. AMUNDSON LLP	423203	05/05/2026	1	609-49750-259	940.24	OTHER FOR RESALE
Total 53874:							940.24	
53875	05/27/26	MILACA AREA TOURISM BUREA	MAR RECEI	04/30/2026	1	101-31410	361.58	LODGING TAX-APRIL
Total 53875:							361.58	
53876	05/27/26	MILK AND HONEY CIDERS	17272	05/15/2026	1	609-49750-253	202.03	WINE
Total 53876:							202.03	
53877	05/27/26	MILLE LACS COUNTY DAC	052126	05/21/2026	1	208-49020-437	20,000.00	WE GO SWING
Total 53877:							20,000.00	
53878	05/27/26	PAUSTIS WINE COMPANY	294709	05/15/2026	1	609-49750-253	506.33	WINE
53878	05/27/26	PAUSTIS WINE COMPANY	294709	05/15/2026	2	609-49750-333	10.00	DELIVERY
Total 53878:							516.33	
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5167349	05/05/2026	1	609-49750-251	1,477.10	LIQUOR
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5167349	05/05/2026	2	609-49750-333	27.00	DELIVERY
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5170211	05/08/2026	1	609-49750-251	612.00	LIQUOR

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53879	05/27/26	PHILLIPS WINE AND SPIRITS	5170211	05/08/2026	2	609-49750-333	10.25	DELIVERY
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5171003	05/12/2026	1	609-49750-251	187.30	LIQUOR
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5171003	05/12/2026	2	609-49750-253	770.45	WINE
53879	05/27/26	PHILLIPS WINE AND SPIRITS	5171003	05/12/2026	3	609-49750-333	44.00	DELIVERY
Total 53879:							3,128.10	
53880	05/27/26	SOUTHERN GLAZERS OF MN	2753207	05/01/2026	1	609-49750-251	1,134.54	LIQUOR
53880	05/27/26	SOUTHERN GLAZERS OF MN	2753207	05/01/2026	2	609-49750-333	19.22	DELIVERY
53880	05/27/26	SOUTHERN GLAZERS OF MN	2753208	05/01/2026	1	609-49750-253	572.96	WINE
53880	05/27/26	SOUTHERN GLAZERS OF MN	2753208	05/01/2026	2	609-49750-333	17.05	DELIVERY
53880	05/27/26	SOUTHERN GLAZERS OF MN	2756023	05/08/2026	1	609-49750-253	653.68	WINE
53880	05/27/26	SOUTHERN GLAZERS OF MN	2756023	05/08/2026	2	609-49750-333	15.50	DELIVERY
53880	05/27/26	SOUTHERN GLAZERS OF MN	2756024	05/13/2026	1	609-49750-253	653.68	WINE
53880	05/27/26	SOUTHERN GLAZERS OF MN	2756024	05/13/2026	2	609-49750-333	15.50	DELIVERY
53880	05/27/26	SOUTHERN GLAZERS OF MN	2758678	05/18/2026	1	609-49750-251	4,251.30	LIQUOR
53880	05/27/26	SOUTHERN GLAZERS OF MN	2758678	05/18/2026	2	609-49750-333	79.05	DELIVERY
53880	05/27/26	SOUTHERN GLAZERS OF MN	2758679	05/18/2026	1	609-49750-259	38.64	CREDIT OTHER FOR RESALE
53880	05/27/26	SOUTHERN GLAZERS OF MN	2758679	05/18/2026	2	609-49750-253	1,248.28	WINE
53880	05/27/26	SOUTHERN GLAZERS OF MN	2758679	05/18/2026	3	609-49750-333	35.65	DELIVERY
Total 53880:							8,657.77	
53881	05/27/26	TACTICAL LLC	75895	05/14/2026	1	609-49750-259	400.00	OTHER FOR RESALE
Total 53881:							400.00	
53882	05/27/26	VIKING BOTTLING CO.	3866218	05/08/2026	1	609-49750-254	257.90	NA
Total 53882:							257.90	
53883	05/27/26	VINOCOPIA	0394555	05/08/2026	1	609-49750-251	256.50	LIQUOR
53883	05/27/26	VINOCOPIA	0394555	05/08/2026	2	609-49750-253	216.00	WINE
53883	05/27/26	VINOCOPIA	0394555	05/08/2026	3	609-49750-259	84.00	OTHER FOR RESALE
53883	05/27/26	VINOCOPIA	0394555	05/08/2026	4	609-49750-333	10.00	DELIVERY
Total 53883:							566.50	
53884	05/27/26	VISA	8948050126	05/13/2026	1	101-45200-437	52.00	RESERVATION KEY-PARKS
53884	05/27/26	VISA	8948050126	05/13/2026	3	101-41940-437	16.99	ZOOM-CITY
53884	05/27/26	VISA	8948050126	05/13/2026	4	101-45200-437	9.09	TELEMETRYTV-PARKS
53884	05/27/26	VISA	8948050126	05/13/2026	5	215-49000-310	584.90	THE TEE HIVE
53884	05/27/26	VISA	8948050126	05/13/2026	6	101-42110-208	1,200.00	MN STATE COLLEGES - JERDE
53884	05/27/26	VISA	8948050126	05/13/2026	7	101-49810-134	73.44	HOTEL - TRAINING - OLDENBURG
53884	05/27/26	VISA	8948050126	05/13/2026	8	101-42110-240	346.56	FIELDS AMMO
53884	05/27/26	VISA	8948050126	05/13/2026	9	101-42110-437	90.00	POST BOARD LICENSING
53884	05/27/26	VISA	8948050126	05/13/2026	10	101-41940-208	694.04	HOTEL - TRAINING - NIEDZIELSKI
53884	05/27/26	VISA	8948050126	05/13/2026	11	101-41940-322	11.60	USPS-POSTAGE FOR TAX FORM
Total 53884:							3,078.62	
53885	05/27/26	ZIEGLER, ALEXIS	11-6430-00	05/01/2026	1	001-10005	189.72	REFUND CREDIT ON FINAL WATER BILL - 549 HWY
53885	05/27/26	ZIEGLER, ALEXIS	11-6440-00	05/01/2026	1	001-10005	60.92	REFUND CREDIT ON FINAL WATER BILL - 549 1/2 H
Total 53885:							250.64	
53886	05/28/26	ZIEGLER LASER WORX LLC	05282026CO	05/28/2026	1	101-41940-437	100.00	FLAG CASE - KEN MULLER

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Total 53886:							100.00	
53887	06/04/26	MN DEPT OF HEALTH (3)	052826	05/28/2026	1	602-49400-303	150.00	RUM RIVER SCHOOL UTILITIES WATERMAIN PERM
Total 53887:							150.00	
53888	06/17/26	1ST CHOICE DOCUMENT DEST	26-3259	06/05/2026	1	603-49450-310	54.25	DOCUMENT SHREDDING-SEWER
53888	06/17/26	1ST CHOICE DOCUMENT DEST	26-3259	06/05/2026	2	602-49400-310	54.25	DOCUMENT SHREDDING-WATER
53888	06/17/26	1ST CHOICE DOCUMENT DEST	26-3259	06/05/2026	3	101-41940-310	81.38	DOCUMENT SHREDDING-CITY
53888	06/17/26	1ST CHOICE DOCUMENT DEST	26-3259	06/05/2026	4	609-49750-310	81.38	DOCUMENT SHREDDING-LIQUOR
Total 53888:							271.26	
53889	06/17/26	ALL STAR TROPHY & AWARDS,	13919	05/28/2026	1	101-41940-437	125.00	PLAQUE-MULLER
Total 53889:							125.00	
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	1	101-41110-217	403.50	MINUTE BOOK
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	2	101-41940-201	161.83	OFFICE SUPPLIES-CITY
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	3	101-41940-437	17.99	NOTARY STAMP-DAVID
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	4	101-42280-217	231.58	BANDAGES/PAPER TOWELS/TP
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	5	101-42280-240	38.79	BACKPACK
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	6	101-43000-215	139.99	SOAP/DISPENSER
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	7	101-45200-401	58.72	REPAIR KITS
53890	06/17/26	AMAZON CAPITAL SERVICES IN	1WW4-RG3D	06/01/2026	8	609-49750-217	44.25	TRASH BAGS
Total 53890:							1,096.65	
53891	06/17/26	AT&T MOBILITY	2873260566	05/25/2026	1	101-42280-321	38.73	FIRE TABLET
53891	06/17/26	AT&T MOBILITY	2873260566	05/25/2026	2	101-42110-321	489.54	POLICE-12 LINES
Total 53891:							528.27	
53892	06/17/26	AT&T MOBILITY	2873260586	05/25/2026	1	602-49400-321	160.92	WATER-4 LINES
53892	06/17/26	AT&T MOBILITY	2873260586	05/25/2026	2	101-43000-321	90.92	PUBLIC WORKS-2 LINES
53892	06/17/26	AT&T MOBILITY	2873260586	05/25/2026	3	101-41940-321	87.19	ADMINISTRATION-2 LINES
53892	06/17/26	AT&T MOBILITY	2873260586	05/25/2026	4	609-49750-343	41.73	LIQUOR STORE DIGITAL SIGN
Total 53892:							380.76	
53893	06/17/26	AW RESEARCH LABORATORIE	78698	05/26/2026	1	602-49400-310	125.00	COLIFORM BACTERIA/E.COLI TESTING
Total 53893:							125.00	
53894	06/17/26	BELLBOY CORP.	0211494400	05/28/2026	1	609-49750-251	2,057.50	LIQUOR
53894	06/17/26	BELLBOY CORP.	0211494400	05/28/2026	2	609-49750-333	26.40	DELIVERY
53894	06/17/26	BELLBOY CORP.	0301015300	05/28/2026	1	609-49750-259	410.00	OTHER FOR RESALE
53894	06/17/26	BELLBOY CORP.	0301015300	05/28/2026	2	609-49750-333	9.90	DELIVERY
Total 53894:							2,503.80	
53895	06/17/26	BERNICKS	10495563	05/27/2026	1	609-49750-252	660.75	BEER
53895	06/17/26	BERNICKS	10495564	05/27/2026	1	609-49750-254	91.82	NA
53895	06/17/26	BERNICKS	10495565	05/27/2026	1	609-49750-259	63.00	OTHER FOR RESALE
53895	06/17/26	BERNICKS	10498570	06/03/2026	1	609-49750-258	285.20	THC PRODUCTS
53895	06/17/26	BERNICKS	10498571	06/03/2026	1	609-49750-253	58.60	WINE
53895	06/17/26	BERNICKS	10498571	06/03/2026	2	609-49750-252	2,620.50	BEER

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53895	06/17/26	BERNICKS	10498574	06/03/2026	1	609-49750-254	38.40	NA
Total 53895:							3,818.27	
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	1	101-42280-212	26.63	GAS-FIRE
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	2	101-43000-212	1,166.20	GAS-PW
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	3	602-49400-212	103.02	GAS-WATER
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	4	603-49450-212	103.01	GAS-SEWER
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	5	101-45200-212	758.37	GAS-PARKS
53896	06/17/26	BIG J'S SERVICE STATION	0004167	06/01/2026	6	101-49810-212	140.01	GAS-AIRPORT
Total 53896:							2,297.24	
53897	06/17/26	BOLTON & MENK INC	0396532	05/29/2026	1	101-49810-310	2,500.00	CZAP FOR RUNWAY
53897	06/17/26	BOLTON & MENK INC	0396533	05/29/2026	1	101-49810-310	1,685.00	TAXIWAY PROJECT
Total 53897:							4,185.00	
53898	06/17/26	BRANDON COMMUNICATIONS I	INV-42407	05/22/2026	1	101-42280-240	6,110.36	RADIO
Total 53898:							6,110.36	
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127128777	05/22/2026	1	609-49750-251	2,431.53	LIQUOR
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127128777	05/22/2026	2	609-49750-253	126.00	WINE
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127128777	05/22/2026	3	609-49750-254	87.00	NA
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127128777	05/22/2026	4	609-49750-333	51.80	DELIVERY
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127231491	05/29/2026	1	609-49750-251	1,636.61	LIQUOR
53899	06/17/26	BREAKTHRU BEVERAGE MN W	127231491	05/29/2026	2	609-49750-333	35.93	DELIVERY
Total 53899:							4,368.87	
53900	06/17/26	BRIAN JOHNSON	7853	05/05/2026	1	101-42110-310	200.00	POLICE TOW
Total 53900:							200.00	
53901	06/17/26	BRIDGETOWER OPCO, LLC	74586294	05/01/2026	1	603-49450-343	239.80	2026 MANHOLE INSTALLATION PROJECT
53901	06/17/26	BRIDGETOWER OPCO, LLC	745862948	05/01/2026	1	602-49400-343	123.20	2026 UTILITIES RUM RIVER SCHOOL
53901	06/17/26	BRIDGETOWER OPCO, LLC	745862948	05/01/2026	2	603-49450-343	123.20	2026 UTILITIES RUM RIVER SCHOOL
Total 53901:							486.20	
53902	06/17/26	BROOKVIEW WINERY	KISS-0177	05/29/2026	1	609-49750-253	714.00	WINE
Total 53902:							714.00	
53903	06/17/26	BROTHERS FIRE & SECURITY	W50636	05/21/2026	1	101-41940-401	2,695.00	5 YEAR INTERNAL INSPECTION
Total 53903:							2,695.00	
53904	06/17/26	C & L DISTRIBUTING CO.	2303928	05/27/2026	1	609-49750-259	233.00	OTHER FOR RESALE
53904	06/17/26	C & L DISTRIBUTING CO.	2303929	05/27/2026	1	609-49750-251	1,703.60	LIQUOR
53904	06/17/26	C & L DISTRIBUTING CO.	2303929	05/27/2026	2	609-49750-252	4,519.45	BEER
53904	06/17/26	C & L DISTRIBUTING CO.	2303929	05/27/2026	3	609-49750-254	287.50	NA
53904	06/17/26	C & L DISTRIBUTING CO.	2303929	05/27/2026	4	609-49750-333	5.00	DELIVERY
53904	06/17/26	C & L DISTRIBUTING CO.	2308305	06/03/2026	1	609-49750-258	199.48	THC PRODUCTS
53904	06/17/26	C & L DISTRIBUTING CO.	2308306	06/03/2026	1	609-49750-333	5.00	DELIVERY
53904	06/17/26	C & L DISTRIBUTING CO.	2308306	06/03/2026	2	609-49750-251	408.82	LIQUOR
53904	06/17/26	C & L DISTRIBUTING CO.	2308306	06/03/2026	3	609-49750-252	25,178.45	BEER

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53904	06/17/26	C & L DISTRIBUTING CO.	2308306	06/03/2026	4	609-49750-253	235.65	WINE
53904	06/17/26	C & L DISTRIBUTING CO.	3702001323	06/03/2026	1	609-49750-252	37.20-	CREDIT BEER
Total 53904:							32,738.75	
53905	06/17/26	CASELLE, LLC	INV-19848	06/02/2026	1	101-41940-309	3,605.49	SEMI-ANNUAL MAINTENANCE & SUPPORT JULY-D
53905	06/17/26	CASELLE, LLC	INV-19848	06/02/2026	2	602-49400-309	901.38	SEMI-ANNUAL MAINTENANCE & SUPPORT JULY-D
53905	06/17/26	CASELLE, LLC	INV-19848	06/02/2026	3	603-49450-309	901.37	SEMI-ANNUAL MAINTENANCE & SUPPORT JULY-D
53905	06/17/26	CASELLE, LLC	INV-19848	06/02/2026	4	609-49750-309	901.37	SEMI-ANNUAL MAINTENANCE & SUPPORT JULY-D
Total 53905:							6,309.61	
53906	06/17/26	CINTAS	4268009846	05/04/2026	1	101-45200-310	31.05	RUGS - GCC
53906	06/17/26	CINTAS	4268009866	05/04/2026	1	101-43000-434	65.58	UNIFORMS-PW
53906	06/17/26	CINTAS	4268010237	05/04/2026	1	101-41940-310	27.59	RUGS - CITY HALL
53906	06/17/26	CINTAS	4268365776	05/05/2026	1	101-45500-310	39.01	RUGS-LIBRARY
53906	06/17/26	CINTAS	4268781515	05/11/2026	1	101-43000-434	65.58	UNIFORMS-PW
53906	06/17/26	CINTAS	4269546911	05/18/2026	1	101-43000-434	65.58	UNIFORMS-PW
53906	06/17/26	CINTAS	4269546940	05/18/2026	1	101-45200-310	31.05	RUGS-GCC
53906	06/17/26	CINTAS	4270319430	05/26/2026	1	101-43000-434	65.58	UNIFORMS-PW
53906	06/17/26	CINTAS	4271014857	06/01/2026	1	101-45200-310	31.99	RUGS - GCC
53906	06/17/26	CINTAS	4271014863	06/01/2026	1	101-43000-434	65.58	UNIFORMS-PW
53906	06/17/26	CINTAS	4271785102	06/08/2026	1	101-43000-434	65.58	UNIFORMS-PW
Total 53906:							554.17	
53907	06/17/26	CINTAS	4268781632	05/11/2026	1	609-49750-310	76.35	RUGS - LIQUOR STORE
53907	06/17/26	CINTAS	4270319544	05/26/2026	1	609-49750-310	76.35	RUGS - LIQUOR STORE
Total 53907:							152.70	
53908	06/17/26	CRAWFORDS EQUIPMENT	01-117566	05/27/2026	1	101-43000-580	2,936.97	TRACK RUBBER
Total 53908:							2,936.97	
53909	06/17/26	CRYSTAL SPRINGS ICE	02-604306	05/27/2026	1	609-49750-259	284.92	OTHER FOR RESALE
53909	06/17/26	CRYSTAL SPRINGS ICE	02-604306	05/27/2026	2	609-49750-333	4.00	DELIVERY
53909	06/17/26	CRYSTAL SPRINGS ICE	02-604360	06/02/2026	1	609-49750-259	286.96	OTHER FOR RESALE
53909	06/17/26	CRYSTAL SPRINGS ICE	02-604360	06/02/2026	2	609-49750-333	4.00	DELIVERY
Total 53909:							579.88	
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	1	609-49750-251	211.80	LIQUOR
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	2	609-49750-252	7,735.90	BEER
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	3	609-49750-253	124.97	WINE
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	4	609-49750-254	46.75	NA
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	5	609-49750-259	134.00	OTHER FOR RESALE
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2783676	05/27/2026	6	609-49750-260	30.00-	DEPOSIT
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2789609	06/02/2026	1	609-49750-251	976.60	LIQUOR
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2789609	06/02/2026	2	609-49750-252	22,064.59	BEER
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2789609	06/02/2026	3	609-49750-253	714.90	WINE
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2789609	06/02/2026	4	609-49750-254	201.75	NA
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2789609	06/02/2026	5	609-49750-258	473.00	THC PRODUCTS
53910	06/17/26	DAHLHEIMER DISTRIBUTING C	2790482	06/01/2026	1	609-49750-252	81.00-	CREDIT BEER
Total 53910:							32,573.26	
53911	06/17/26	Damien F. Toven & Associates, LL	1734	06/05/2026	1	101-41610-304	1,500.00	CIVIL RETAINER-MAY

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53911	06/17/26	Damien F. Toven & Associates, LL	1735	06/06/2026	1	101-41610-304	5,009.26	CRIMINAL RETAINER-MAY
Total 53911:							6,509.26	
53912	06/17/26	E.C.M. PUBLISHERS, INC.	1098281	05/07/2026	1	602-49400-530	297.84	LEAD SERVICE LINE IMPROVEMENTS
Total 53912:							297.84	
53913	06/17/26	EAST CENTRAL ENERGY	060126	06/01/2026	1	356-47000-601	13,273.97	GO BOND 2024 PRINCIPAL
53913	06/17/26	EAST CENTRAL ENERGY	060126	06/01/2026	2	356-47000-611	1,243.57	GO BOND 2024 INTEREST
53913	06/17/26	EAST CENTRAL ENERGY	060126	06/01/2026	3	356-47000-611	1,243.57	GO BOND 2024 ADMIN FEE
Total 53913:							15,761.11	
53914	06/17/26	FERGUSON WATERWORKS	0564582	05/19/2026	1	602-49400-221	1,103.23	WTP VALVE REPAIR
Total 53914:							1,103.23	
53915	06/17/26	FIRST NATIONAL BANK MILACA	05192026	05/19/2026	1	386-47000-611	3,230.00	2015 GO PARK BOND INTEREST
Total 53915:							3,230.00	
53916	06/17/26	GALLS INC	035028109	05/12/2026	1	101-42110-434	184.27	UNIFORM-PETERSON
53916	06/17/26	GALLS INC	035092551	05/19/2026	1	101-42110-434	18.74	UNIFORM-PETERSON
Total 53916:							203.01	
53917	06/17/26	GOPHER STATE ONE CALL	6050601	05/31/2026	1	602-49400-310	79.65	MAY LOCATES
Total 53917:							79.65	
53918	06/17/26	GRAINGER	9929720713	05/27/2026	1	101-43000-401	52.16	REPAIR KIT/FUSE
53918	06/17/26	GRAINGER	9930169819	05/27/2026	1	602-49400-240	13.02	SOIL CATCHER
53918	06/17/26	GRAINGER	9940321467	06/04/2026	1	101-43000-221	166.17	FILTER/PAINT STRAINER
53918	06/17/26	GRAINGER	9941689508	06/05/2026	1	101-45200-221	161.60	SMOKE ALARM/ADAPTER
Total 53918:							392.95	
53919	06/17/26	GRANITE CITY JOBBING	525775	05/22/2026	1	609-49750-217	48.88	OTHER OPERATING SUPPLIES
53919	06/17/26	GRANITE CITY JOBBING	525775	05/22/2026	2	609-49750-256	169.43	CREDIT TOBACCO
53919	06/17/26	GRANITE CITY JOBBING	525775	05/22/2026	3	609-49750-333	10.00	DELIVERY
53919	06/17/26	GRANITE CITY JOBBING	526903	05/22/2026	1	609-49750-217	252.15	OTHER OPERATING SUPPLIES
53919	06/17/26	GRANITE CITY JOBBING	526903	05/22/2026	2	609-49750-256	173.49	TOBACCO
53919	06/17/26	GRANITE CITY JOBBING	526903	05/22/2026	3	609-49750-259	146.07	OTHER FOR RESALE
53919	06/17/26	GRANITE CITY JOBBING	528130	05/29/2026	1	609-49750-256	395.46	TOBACCO
53919	06/17/26	GRANITE CITY JOBBING	528130	05/29/2026	2	609-49750-259	214.95	OTHER FOR RESALE
53919	06/17/26	GRANITE CITY JOBBING	528130	05/29/2026	3	609-49750-333	10.00	DELIVERY
Total 53919:							1,420.43	
53920	06/17/26	HAWKINS, INC.	7423256	05/15/2026	1	602-49400-216	30.00	CHLORINE CYLINDER-WATER
Total 53920:							30.00	
53921	06/17/26	HEALTH EQUITY	I2MID28	06/01/2026	1	101-41940-310	40.50	JUNE MONTHLY PARTICIPATION FEES
Total 53921:							40.50	

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53922	06/17/26	HJORT EXCAVATING	2026.193	05/18/2026	1	602-49400-408	6,839.75	5TH AVE/5TH ST ALLEY WATER LEAK
Total 53922:							6,839.75	
53923	06/17/26	HUNT ELECTRIC CORPORATIO	2510817A	06/03/2026	1	602-49400-310	860.00	GENERATOR REPAIR
Total 53923:							860.00	
53924	06/17/26	HY-TECH AUTOMOTIVE	065871	05/11/2026	1	101-42110-212	54.28	2025 INTERCEPTOR OIL CHANGE
Total 53924:							54.28	
53925	06/17/26	IPRINT TECHNOLOGIES	1306457	05/20/2026	1	101-42400-201	511.00	TONER-BLDG INSPECTOR
53925	06/17/26	IPRINT TECHNOLOGIES	1306457	05/20/2026	2	101-41940-201	511.00	TONER-DELORIS
Total 53925:							1,022.00	
53926	06/17/26	JAMIES SERVICE AND REPAIR I	003265	06/01/2026	1	609-49750-310	64.43	DATACAP FEE FOR CC PROCESSOR-LIQUOR
Total 53926:							64.43	
53927	06/17/26	JAYSEN S FERN	10138	05/21/2026	1	609-49750-434	279.00	UNIFORMS-LIQUOR
53927	06/17/26	JAYSEN S FERN	10138	05/21/2026	2	609-49750-259	199.50	OTHER FOR RESALE
53927	06/17/26	JAYSEN S FERN	10139	05/28/2026	1	609-49750-259	6.00	OTHER FOR RESALE
53927	06/17/26	JAYSEN S FERN	10139	05/28/2026	2	609-49750-434	19.00	UNIFORMS-LIQUOR
53927	06/17/26	JAYSEN S FERN	10139	05/28/2026	3	609-49750-343	15.00	ADVERTISING
Total 53927:							518.50	
53928	06/17/26	JERDE, STEPHEN	060126	06/01/2026	1	101-42110-208	340.75	MILEAGE REIMBURSEMENT
53928	06/17/26	JERDE, STEPHEN	060626	06/06/2026	1	101-42110-208	171.89	MILEAGE REIMBURSEMENT
Total 53928:							512.64	
53929	06/17/26	JEYS, VICTORIA	051926	05/19/2026	1	609-49750-217	9.93	SUPPLIES FOR 80TH CELEBRATION
53929	06/17/26	JEYS, VICTORIA	052326	05/23/2026	1	609-49750-437	38.44	CANDY FOR 80TH CELEBRATION
Total 53929:							48.37	
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	211948-0601	06/01/2026	1	101-42280-384	25.00	GARBAGE-FIRE
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	211948-0601	06/01/2026	2	101-43000-312	300.00	COMPOST
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	211948-0601	06/01/2026	3	101-41940-381	72.64	GARBAGE-CITY
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	211948-0601	06/01/2026	4	101-45200-384	40.86	GARBAGE-PARKS
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	212276-0601	06/01/2026	1	101-45200-384	165.42	GARBAGE-PARKS
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	3249517-060	06/01/2026	1	101-45200-415	148.39	CHANGING SHELTER
53930	06/17/26	JIMS MILLE LACS DISPOSAL IN	3280373-060	06/01/2026	1	101-45200-415	186.78	PORTA-POTTY REC PARK
Total 53930:							939.09	
53931	06/17/26	JIMS MILLE LACS DISPOSAL IN	219225-0601	06/01/2026	1	609-49750-384	77.22	GARBAGE - LIQUOR
Total 53931:							77.22	
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1057799	05/22/2026	1	609-49750-251	193.50	LIQUOR
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1057799	05/22/2026	2	609-49750-333	5.52	DELIVERY
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059154	05/27/2026	1	609-49750-251	9,146.20	LIQUOR
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059154	05/27/2026	2	609-49750-253	1,612.72	WINE
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059154	05/27/2026	3	609-49750-254	130.00	NA

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53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059154	05/27/2026	4	609-49750-259	94.57-	CREDIT OTHER FOR RESALE
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059154	05/27/2026	5	609-49750-333	234.00	DELIVERY
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059155	05/27/2026	1	609-49750-251	5,525.32	LIQUOR
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1059155	05/27/2026	2	609-49750-333	92.17	DELIVERY
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1065488	06/02/2026	1	609-49750-251	5,615.00	LIQUOR
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1065488	06/02/2026	2	609-49750-253	1,715.46	WINE
53932	06/17/26	JOHNSON BROTHERS LIQUOR	1065488	06/02/2026	3	609-49750-333	182.00	DELIVERY
53932	06/17/26	JOHNSON BROTHERS LIQUOR	185446	05/28/2026	1	609-49750-251	229.50-	CREDIT LIQUOR
53932	06/17/26	JOHNSON BROTHERS LIQUOR	185446	05/28/2026	2	609-49750-333	2.00-	CREDIT DELIVERY
Total 53932:							24,125.82	
53933	06/17/26	KATKE, DELORIS	052826	05/28/2026	1	101-41940-437	44.23	TRAVEL
Total 53933:							44.23	
53934	06/17/26	KNIFE RIVER CORP. - NORTH C	1161419	05/06/2026	1	101-43000-217	326.05	SEWER SAND
Total 53934:							326.05	
53935	06/17/26	KOCHS HARDWARE HANK	13530683	05/04/2026	1	101-45200-437	6.98	COPPER COIL
53935	06/17/26	KOCHS HARDWARE HANK	13531320	05/05/2026	1	101-43000-240	34.98	RATCHET/DRIVEWAY SEALANT
53935	06/17/26	KOCHS HARDWARE HANK	13531599	05/05/2026	1	101-42280-437	54.99	BALL VALVE
53935	06/17/26	KOCHS HARDWARE HANK	13536287	05/11/2026	1	603-49450-437	1.29	COUPLING
53935	06/17/26	KOCHS HARDWARE HANK	13537301	05/12/2026	1	101-45200-437	14.40	BULK BOLTS
53935	06/17/26	KOCHS HARDWARE HANK	13538699	05/14/2026	1	101-43000-240	42.97	GLOVES/PLIER
53935	06/17/26	KOCHS HARDWARE HANK	13539433	05/15/2026	1	101-43000-215	31.97	DUCT TAPE/CABLE TIE
53935	06/17/26	KOCHS HARDWARE HANK	13542664	05/19/2026	1	101-43000-215	55.89	SHOP TOWELS/GREASE
53935	06/17/26	KOCHS HARDWARE HANK	13542720	05/19/2026	1	101-43000-215	13.99	DUCT TAPE
53935	06/17/26	KOCHS HARDWARE HANK	13542839	05/19/2026	1	101-45200-215	61.98	PAINT
53935	06/17/26	KOCHS HARDWARE HANK	13544033	05/21/2026	1	101-43000-240	57.97	COUPLER PLUG
53935	06/17/26	KOCHS HARDWARE HANK	13545116	05/22/2026	1	101-43000-240	37.90	SNAP LINK
53935	06/17/26	KOCHS HARDWARE HANK	13548265	05/26/2026	1	101-42280-217	428.34	POWERADE/WATER
53935	06/17/26	KOCHS HARDWARE HANK	13548394	05/26/2026	1	101-45200-437	51.94	CLEANER
53935	06/17/26	KOCHS HARDWARE HANK	13549115	05/27/2026	1	101-43000-215	67.33	SOAP/BLEACH/SWITCH
53935	06/17/26	KOCHS HARDWARE HANK	1358743	05/14/2026	1	101-45200-437	24.95	HOSE/TUBING
Total 53935:							987.87	
53936	06/17/26	KRAFT, KEVIN D.	1158	06/01/2026	1	609-49750-258	325.00	THC PRODUCTS
Total 53936:							325.00	
53937	06/17/26	L.E.L.S.	060126	06/01/2026	1	101-21710	146.00	JUNE UNION DUES-PD
Total 53937:							146.00	
53938	06/17/26	LOCATORS & SUPPLIES INC	0326391	05/31/2026	1	603-49450-240	144.18	MARKING PAINT
Total 53938:							144.18	
53939	06/17/26	M. AMUNDSON LLP	424232	05/21/2026	1	609-49750-256	609.76	TOBACCO
53939	06/17/26	M. AMUNDSON LLP	424232	05/21/2026	2	609-49750-259	70.80	OTHER FOR RESALE
53939	06/17/26	M. AMUNDSON LLP	424483	05/27/2026	1	609-49750-256	897.51	TOBACCO
53939	06/17/26	M. AMUNDSON LLP	424483	05/27/2026	2	609-49750-259	229.83	OTHER FOR RESALE
Total 53939:							1,807.90	

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53940	06/17/26	MEYERS MILACA PARTS CITY	2071-053026	05/30/2026	1	101-43000-217	266.08	OTHER OPERATING SUPPLIES-PW
Total 53940:							266.08	
53941	06/17/26	MILACA AUTO VALUE	13218426	05/11/2026	1	101-42110-437	4.49	MISC-PW
53941	06/17/26	MILACA AUTO VALUE	13219310	06/08/2026	1	101-43000-217	63.96	MISC-PW
Total 53941:							68.45	
53942	06/17/26	MILACA DEPOT FLORAL	7043	05/29/2026	1	101-41940-437	111.67	FLOWERS-MULLER
Total 53942:							111.67	
53943	06/17/26	MILLE LACS CO. SHERIFF	13304	05/01/2026	1	101-43000-309	1,210.00	ARMER RENEWAL - PW
Total 53943:							1,210.00	
53944	06/17/26	MILLE LACS COUNTY DAC	42383	05/01/2026	1	101-41940-310	400.33	CLEANING SVCS-CITY HALL
53944	06/17/26	MILLE LACS COUNTY DAC	42383	05/01/2026	2	101-45500-310	318.44	CLEANING SVCS - LIBRARY
53944	06/17/26	MILLE LACS COUNTY DAC	42383	05/01/2026	3	101-42280-310	37.84	CLEANING SVCS - FIRE
53944	06/17/26	MILLE LACS COUNTY DAC	42383	05/01/2026	4	101-45200-310	177.13	CLEANING SVCS - GORECKI CENTER
53944	06/17/26	MILLE LACS COUNTY DAC	42420	05/26/2026	1	602-49400-310	47.55	UTILITY BILLING PROCESSING FOR JUNE-WATER
53944	06/17/26	MILLE LACS COUNTY DAC	42420	05/26/2026	2	603-49450-310	47.55	UTILITY BILLING PROCESSING FOR JUNE-SEWER
Total 53944:							1,028.84	
53945	06/17/26	MIMBACH FLEET SUPPLY	052526	06/01/2026	1	101-45200-240	269.99	BOOMLESS SPRAYER
Total 53945:							269.99	
53946	06/17/26	MN COMPUTER SYSTEMS INC	453520	06/03/2026	1	101-41940-310	50.36	COPIER-CITY
Total 53946:							50.36	
53947	06/17/26	MN DEPT OF HEALTH	1480002-063	05/15/2026	1	602-20810	3,805.00	2ND QTR TEST FEE
Total 53947:							3,805.00	
53948	06/17/26	NORTH COUNTRY CHEVROLET	MILACA26-1	06/08/2026	1	101-42110-242	55,381.92	26 CHEV TAHOE PPV
Total 53948:							55,381.92	
53949	06/17/26	OMANN BROTHERS INC	19486	05/28/2026	1	101-43000-403	271.80	AC FINES MIX
53949	06/17/26	OMANN BROTHERS INC	19516	06/02/2026	1	101-43000-403	540.90	AC FINES MIX
Total 53949:							812.70	
53950	06/17/26	PAUSTIS WINE COMPANY	295824	05/28/2026	1	609-49750-253	336.00	WINE
53950	06/17/26	PAUSTIS WINE COMPANY	295824	05/28/2026	2	609-49750-333	9.00	DELIVERY
53950	06/17/26	PAUSTIS WINE COMPANY	295825	05/28/2026	1	609-49750-259	96.00	OTHER FOR RESALE
53950	06/17/26	PAUSTIS WINE COMPANY	295825	05/28/2026	2	609-49750-333	1.50	DELIVERY
Total 53950:							442.50	
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5177513	05/22/2026	1	609-49750-251	378.00	LIQUOR
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5177513	05/22/2026	2	609-49750-333	5.52	DELIVERY
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5178362	05/27/2026	1	609-49750-251	2,140.52	LIQUOR
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5178362	05/27/2026	2	609-49750-254	372.54	NA

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53951	06/17/26	PHILLIPS WINE AND SPIRITS	5178362	05/27/2026	3	609-49750-333	47.00	DELIVERY
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5182147	06/02/2026	1	609-49750-333	87.00	DELIVERY
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5182147	06/02/2026	2	609-49750-251	2,903.77	LIQUOR
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5182147	06/02/2026	3	609-49750-253	440.00	WINE
53951	06/17/26	PHILLIPS WINE AND SPIRITS	5182147	06/02/2026	4	609-49750-258	72.52	THC PRODUCTS
Total 53951:							6,301.83	
53952	06/17/26	PIKE PLUMBING HEATING INC	93232	05/11/2026	1	101-45200-401	1,220.86	SPLASH PAD TESTING
53952	06/17/26	PIKE PLUMBING HEATING INC	93232	05/11/2026	2	101-43000-401	125.00	SPLASH PAD TESTING
53952	06/17/26	PIKE PLUMBING HEATING INC	93232	05/11/2026	3	602-49400-401	250.00	SPLASH PAD TESTING
Total 53952:							1,595.86	
53953	06/17/26	PREFERRED STRIPING LLC	2026-181	05/28/2026	1	101-43000-403	6,375.00	PARKING LOT STRIPING
Total 53953:							6,375.00	
53954	06/17/26	QUILL CORPORATION	2663032	05/01/2026	1	609-49750-201	90.17	PAPER-LIQUOR
53954	06/17/26	QUILL CORPORATION	48875984	05/11/2026	1	101-41940-201	125.97	COPIER PAPER-CITY
Total 53954:							35.80	
53955	06/17/26	RUSSELL, MICHELLE A.	060126	06/08/2026	1	101-42110-310	641.00	ANIMAL CONTROL-PD
53955	06/17/26	RUSSELL, MICHELLE A.	060126	06/08/2026	2	101-42110-310	70.00	MAY RETAINER-PD
Total 53955:							711.00	
53956	06/17/26	SAFEGUARD SECURITY, INC.	78618	05/26/2026	1	101-45200-401	819.00	FIXED RECORDING ISSUE-CITY HALL
Total 53956:							819.00	
53957	06/17/26	SAPSUCKER FARMS	95	05/23/2026	1	609-49750-253	275.00	WINE
Total 53957:							275.00	
53958	06/17/26	SELECT URGENT CARE LLC	8903C28265	05/01/2026	1	101-42110-310	110.00	NEW HIRE PHYSICAL-DARWIN
53958	06/17/26	SELECT URGENT CARE LLC	8903C28265	05/01/2026	2	101-42280-305	220.00	NEW HIRE PHYSICAL-STORM, LEPPER-FIRE
Total 53958:							330.00	
53959	06/17/26	SOUTHERN GLAZERS OF MN	2761330	05/22/2026	1	609-49750-251	901.68	LIQUOR
53959	06/17/26	SOUTHERN GLAZERS OF MN	2761330	05/22/2026	2	609-49750-333	10.85	DELIVERY
53959	06/17/26	SOUTHERN GLAZERS OF MN	2761331	05/22/2026	1	609-49750-253	160.00	WINE
53959	06/17/26	SOUTHERN GLAZERS OF MN	2761331	05/22/2026	2	609-49750-333	3.10	DELIVERY
53959	06/17/26	SOUTHERN GLAZERS OF MN	2763793	05/29/2026	1	609-49750-258	185.60	THC PRODUCTS
53959	06/17/26	SOUTHERN GLAZERS OF MN	2763793	05/29/2026	2	609-49750-251	3,095.43	LIQUOR
53959	06/17/26	SOUTHERN GLAZERS OF MN	2763793	05/29/2026	3	609-49750-333	45.21	DELIVERY
53959	06/17/26	SOUTHERN GLAZERS OF MN	2763794	05/29/2026	1	609-49750-253	340.00	WINE
53959	06/17/26	SOUTHERN GLAZERS OF MN	2763794	05/29/2026	2	609-49750-333	6.20	DELIVERY
53959	06/17/26	SOUTHERN GLAZERS OF MN	2766550	06/05/2026	1	609-49750-251	5,618.03	LIQUOR
53959	06/17/26	SOUTHERN GLAZERS OF MN	2766550	06/05/2026	2	609-49750-333	62.00	DELIVERY
53959	06/17/26	SOUTHERN GLAZERS OF MN	2766551	06/05/2026	1	609-49750-253	151.32	WINE
53959	06/17/26	SOUTHERN GLAZERS OF MN	2766551	06/05/2026	2	609-49750-333	4.65	DELIVERY
Total 53959:							10,212.87	
53960	06/17/26	ST. CLOUD REFRIGERATION IN	AW34761	05/29/2026	1	101-41940-401	726.59	VALVE REPLACEMENT-LIBRARY

RESOLUTION NO. 26-13

RESOLUTION ACCEPTING DONATION

WHEREAS, The City of Milaca is generally authorized to accept donations of real and personal property pursuant to Minnesota Statutes Section 465.03 for the benefit of its citizens, and is specifically authorized to accept gifts and bequests for the benefit of recreational pursuant to Minnesota Statutes Section 471.17; and

WHEREAS, the following individual has offered to contribute the cash amount set forth below to the city:

<u>Name of Donor</u>	<u>Amount</u>	<u>Committed To</u>
Bill Hjort, Town & Country Finance	\$10,000.00	Rec Park Pump Track & Trail Loop

WHEREAS, said donations have been contributed to assist the city in the establishment and operation of recreational facilities/programs either alone or in cooperation with others, as allowed by law; and

WHEREAS, The City Council finds that it is appropriate to accept the donation offered.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF MILACA, MINNESOTA, AS FOLLOWS:

1. The donation described above is accepted and shall be used to establish and operate recreational facilities/programs either alone or in cooperation with others, as allowed by law.
2. The city clerk is hereby directed to issue receipt to the donor acknowledging the city's receipt of the donor's donation.

Adopted this 17th day of June, 2026.

\_\_\_\_\_  
Mayor Dave Dillan

ATTEST

\_\_\_\_\_  
Tammy Pfaff, City Manager

ORDINANCE NO. 555

AN ORDINANCE AMENDING TITLE III (ADMINISTRATION) CHAPTER 34 (FEES, CHARGES, AND RATES) SECTION 34.41 (WATER RATES AND CHARGES; SCHEDULE) OF THE CITY OF MILACA CODE OF ORDINANCES

THE CITY COUNCIL OF THE CITY OF MILACA, MINNESOTA ORDAINS AS FOLLOWS:

CHAPTER 34:41 WATER RATES AND CHARGES; SCHEDULE

**§ 34.41**

*(B) Milaca Fire Department may fill swimming pools within the service area of fire contracts of the fire department. Fees are set in the fee schedule and may be changed from time to time.*

*(C) Owner of property or individual requesting water will be invoiced for amount due for pool fill. Payment will not be accepted at time of fill. Payment of invoice must be paid at city hall within 30 days or paid online within 30 days. Fire Department will bring pool fill form back to city hall within 5 business days of fill.*

*(D) Fire Department employee delivering water will be paid call out pay for filling pools.*

*(E) Pool filling fees will be deposited in Fund 602.*

<b><i>Residential And Commercial Rate</i></b>	<b><i>Charge</i></b>
<b><i>Bulk Water</i></b>	
Per 100 Gallons	\$2.00
Minimum Charge	\$30.00
<i><u>Pool Filling</u></i>	<i><u>\$150.00 Fee-3000 gallons (per load)</u></i>

Passed this \_\_\_\_\_ day of \_\_\_\_\_, 2026.

ATTEST:

\_\_\_\_\_  
Mayor Dave Dillan

\_\_\_\_\_  
Tammy Pfaff, City Manager

First Reading: 05-21-26

Second Reading: 06-17-26

Published: \_\_\_\_\_

SECOND READING

ORDINANCE NO. 556

AN ORDINANCE AMENDING TITLE IX (GENERAL REGULATIONS) CHAPTER 94 (HEALTH AND SANITATION; NUISANCES) SECTION 94.37 (DEFINITIONS; EXCLUSIONS) OF THE CITY OF MILACA CODE OF ORDINANCES

THE CITY COUNCIL OF THE CITY OF MILACA, MINNESOTA ORDAINS AS FOLLOWS:

CHAPTER 94.37 DEFINITIONS; EXCLUSIONS

§ 94.37 DEFINITIONS; EXCLUSIONS.

(A) For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

**DESTRUCTION ORDER.** The notice served by the City Council or designated city official, in cases of appeal, on the property owner of the ordinance violation.

**PROPERTY OWNER.** The person occupying the property, the holder of legal title, or a person having control over the property of another, such as a right-of-way, easement, license, or lease.

**WEEDS, GRASSES, and RANK VEGETATION.** Includes but is not limited to the following:

- (4) Any weeds, grass, or plants, other than trees, bushes, flowers, or other ornamental plants, growing to a height ~~exceeding 12 inches~~; **recommend no more than 6-8 inches**

Passed this \_\_\_\_\_ day of \_\_\_\_\_, 2026.

ATTEST:

\_\_\_\_\_  
Mayor Dave Dillan

\_\_\_\_\_  
Tammy Pfaff, City Manager

First Reading: 06-17-26  
Second Reading: \_\_\_\_\_  
Published: \_\_\_\_\_

**RESOLUTION #26-14**

**RESOLUTION OF APPLICATION TO THE MINNESOTA PUBLIC FACILITIES  
AUTHORITY DRINKING WATER STATE REVOLVING FUND PROGRAM**

Milaca  
1480002-05  
Other-LSL Replacement

**BE IT RESOLVED** that the City of Milaca is hereby applying to the Minnesota Public Facilities Authority for a loan and or grant from the Drinking Water Revolving Fund for a lead service line replacement project as described in the application.

**BE IT FURTHER RESOLVED** that the City of Milaca estimates the MPFA-Financed amount to be \$477,930.00 or the as-bid cost of the project.

**BE IT FURTHER RESOLVED** that the City of Milaca has the legal authority to apply for the loan and or grant, and the financial, technical, and managerial capacity to repay the loan and ensure proper construction, operation, and maintenance of the project for its design life.

**I CERTIFY THAT** the above resolution was adopted by the City Council of the City of Milaca on June 17, 2026.

\_\_\_\_\_  
Mayor Dave Dillan

\_\_\_\_\_  
Date

ATTEST

\_\_\_\_\_  
City Manager, Tammy Pfaff

\_\_\_\_\_  
Date



**Stantec Consulting Services Inc.**  
 3717 23<sup>rd</sup> Street Suite 100  
 St. Cloud, MN 56301

May 21, 2026

Tammy Pfaff, City Manager  
 City of Milaca  
 City Hall  
 255 1<sup>st</sup> St E  
 Milaca, MN 56353

Re: 2026 Lead Service Line Improvements  
 Stantec Project No. 193807614  
**Bid Results**

Dear Tammy:

Bids were opened for the Project stated above on May 21, 2026. Transmitted herewith is a copy of the Bid Tabulation for your information and file. Copies will also be distributed to each Bidder once the Project has been awarded.

There was a total of 3 Bids. The following summarizes the results of the Bids received:

	<u><b>Contractor</b></u>	<u><b>Base Bid</b></u>
Low	MJ Companies LLC	\$477,930.00
#2	Red Rock Tiling and Excavating	\$693,250.00
#3	Motiv Excavating & Site Works	\$762,412.65

The low Bidder on the Project was MJ Companies LLC with a Total Base Bid Amount of \$477,930.00. This compares to the engineer's opinion of probable construction cost of \$625,000.00.

**No council action regarding the bids is required at this time.** The City has the authority to hold these bids until July 20, 2026. It is recommended that the City wait to consider award after receiving MDH Plan Certification and the Project Order from PFA which could be available for the July 16, 2026 City Council meeting.

Should you have any questions, please feel free to contact me at (320) 229-5537.

Sincerely,

Chuck Boser, PE  
 Enclosure

# City of Milaca, Minnesota

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Report to the Members of  
Governance

June 10, 2026

# CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS

June 10, 2026

Members of Governance  
City of Milaca, Minnesota

To the Members of Governance,

This letter has been prepared to assist you with your review of the financial statements as of and for the period ending December 31, 2025. We look forward to meeting with you and discussing the matters outlined below.

## **The Auditor's Responsibilities With Regard to the Financial Statement Audit**

### ***Our Responsibilities***

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the City's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management with the oversight of those charged with governance:
  - Are free from material misstatement
  - Are presented fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America.
- Performing an audit in accordance with the standards for financial audits contained in auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States including reporting on:
  - Internal control over financial reporting
  - Compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the City's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

### ***Independence***

We are not aware of any relationships between Schlenner Wenner & Co. and the City that, in our professional judgment, may reasonably be thought to bear on our independence.

## CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS

### **Audit Plan**

#### ***Scope and Timing of the Audit***

Based on our understanding of the City and the environment in which you operate, we focused our audit on the following key areas:

- Internal control over financial reporting
- Consideration of fraud risks
- Areas with significant estimates
- Review, recompute and substantiate financial statements amounts and disclosures
- Review application and disclosures for new accounting standards adopted
- Fair value measurements and disclosures (including alternative investments)
- Revenue recognition
- Existence and accuracy of payroll and other expenses

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the City's current year results.

#### ***Significant changes to the audit plan***

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

### **Key Areas of Focus and Significant Issues**

#### ***Significant risks of material misstatement***

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Significant risks identified and focused on during the audit were communicated to you in a separate communication dated February 3, 2026.

#### ***Other areas of emphasis***

We also focused on other areas that did not meet the definition of a significant risk but were determined to require specific awareness and a unique audit response.

### **Qualitative Aspect of Accounting Practices**

**Accounting policies:** Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application.

The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

**Accounting estimates:** Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected.

The following significant estimates/judgments are contained in the financial statements:

- Net pension liabilities/assets and related deferred outflows and inflows of resources

Based on audit work performed, we are satisfied with the estimates made by management.

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

## **CITY OF MILACA, MINNESOTA REQUIRED COMMUNICATIONS**

**Financial statement disclosures:** The disclosures in the financial statements are neutral, consistent and clear.

### **Significant Unusual Transactions**

There have been no significant transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size or nature.

### **Significant Difficulties Encountered**

We encountered no significant difficulties in dealing with management and completing our audit.

### **Disagreements with Management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Internal Control and Compliance Matters**

We have separately communicated matters related to internal control and compliance over financial reporting identified during our audit of the basic financial statements, as required by *Government Auditing Standards*. This communication is included within the compliance section of the City's financial report for the year ended December 31, 2025.

We encountered no other audit findings or issues that require communication at this time.

### **Uncorrected Misstatements**

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. All uncorrected misstatements for the current period are summarized following the attached representation letter at Exhibit A.

### **Opinion Unit Corrected Misstatements**

Since all members of governance are not also part of management, we are required to communicate material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are shown following the attached representation letter at Exhibit A.

### **Management's Consultations with other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

### **Other Matters**

We have not identified any other significant findings or issues that we wish to bring to your attention at this time.

### **Audit Consultations Outside the Engagement Team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

### **Going Concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter. No such matters or conditions have come to our attention during our engagement.

**CITY OF MILACA, MINNESOTA  
REQUIRED COMMUNICATIONS**

**Fraud**

We did not identify any known or suspected fraud during our audit.

**Related Parties**

We did not have any significant issues arise during the audit in connection with the City's related parties.

**Required Supplementary Information**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Supplementary Information**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

**Nonattest Services**

The following nonattest services were provided by the firm:

1. Preparation of the City's financial statements and related GASB 34 conversion entries
2. Preparation and submission of the Annual Reporting Form for the Office of the State Auditor and annual publication
3. Maintenance of the City's capital asset depreciation records

**Written Representations**

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States.

**Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time.

**Closing**

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of the Members of Governance of the City of Milaca to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Sincerely,



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

**EXHIBIT A**

**REPRESENTATION LETTER**

## CITY OF MILACA, MINNESOTA

June 10, 2026

Schlenner Wenner & Co.  
St. Cloud, MN 56302

This representation letter is provided in connection with your audit of the basic financial statements of the City of Milaca (the City), as of December 31, 2025 for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

### **Financial Statements**

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 10, 2026:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 2, 2026, including our responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with accounting principles generally accepted in the United States of America.
5. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We have informed you of all uncorrected misstatements. We believe the effects of the uncorrected financial statement misstatements, as summarized in the attached Exhibit titled "Uncorrected Misstatements," are immaterial, both individually and in the aggregate, to the basic financial statements as a whole.
9. We are in agreement with the adjusting journal entries and other journal entries you have proposed, as detailed in the attached Exhibits. The adjusting journal entries have been posted to the appropriate accounts in our accounting system.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
11. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
12. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
  - d. Additional information that you have requested from us for the purpose of the audit; and
  - e. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. We have communicated to you our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

## **Federal Expenditures**

18. Expenditures of federal awards were below the \$1,000,000 threshold and we were not required to have an audit in accordance with the Uniform Guidance.

## **Additional Representations**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us (if any).
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
24. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
25. The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
26. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
27. We have appropriately disclosed all information for conduit debt obligations in accordance with GASB 91.
28. There are no:
- a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

29. As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
30. We have made all management decisions and performed all management functions in relation to the nonattest services provided by Schlenner Wenner & Co., as identified in the engagement letter or an addendum to the engagement letter. We have designated Tammy Pfaff, City Manager, an employee with suitable skill, knowledge, and/or experience to oversee the services received. Furthermore, we have established and maintained internal controls, including monitoring activities related to the nonattest services provided by Schlenner Wenner & Co., and we have evaluated and accept responsibility for the adequacy and results of the nonattest services received.

The nonattest services provided by Schlenner Wenner & Co. are listed below:

- a. Preparation of the City's financial statements and related GASB 34 conversion entries
- b. Maintenance of the City's capital asset depreciation records
- c. Preparation and submission of the Annual Reporting Form for the Office of the State Auditor and annual publication

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

31. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
33. The financial statements include all fiduciary activities required by GASB No. 84.
34. The financial statements properly classify all funds and activities.
35. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
36. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
37. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
42. Provisions, when material, have been made to reduce excess or obsolete inventories to their estimated net realizable value.
43. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
44. We have evaluated and identified any legally enforceable asset retirement obligations.
45. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
46. We have properly disclosed and are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
47. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
48. With respect to the supplementary information (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
49. We assume responsibility for, and agree with, the findings of specialists in evaluating the net pension balances and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
50. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
51. We assume responsibility for, and agree with, the information provided by the pension plan administrator(s) relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

52. We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.
53. We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
54. Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.
55. We have identified any leases, subscription-based information technology agreements or other contracts that are required to be reported as leases or subscription obligations and are in agreement with the key assumptions used in the measurement of any lease/subscription related assets, liabilities or deferred inflows of resources.
56. We have implemented GASB Statement No. 102, Certain Risk Disclosures, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with this Standard.
57. The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Sincerely,

*Tammy Pfaff*

---

Tammy Pfaff, City Manager  
City of Milaca

*Elizabeth Nealley*

---

Elizabeth Nealley, City Treasurer  
City of Milaca

**EXHIBIT A-1**  
**ADJUSTING JOURNAL ENTRIES**

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Adjusting**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
1	12/31/2025	Unreserved Fund Balance	404-25300 DSF02			22,467.00				
1	12/31/2025	TAX INCREMENTS	404-31050 DSF02				22,467.00			
		To correct beginning equity for duplicated deposits outstanding from 2023 TIF payments in fund 404.							Recurring	Factual
2	12/31/2025	Fixed Asset-Const in Progress	602-16500 ENT01	N.153		16,831.00				
2	12/31/2025	Fixed Asset-Const in Progress	603-16500 ENT02	N.153		7,924.00				
2	12/31/2025	ENGINEERING FEES	602-49400-303 ENT01	N.153			16,530.00			
2	12/31/2025	OTHER PROFESSIONAL SERVICES	602-49400-310 ENT01	N.153			301.00			
2	12/31/2025	ENGINEERING FEES	603-49450-303 ENT02	N.153			7,924.00			
		To record current year CIP activity.							Recurring	Factual
3	12/31/2025	Deferred Outflows	602-17500 ENT01	6354A			3,330.00			
3	12/31/2025	Deferred Inflows	602-22900 ENT01	6354A		5,763.00				
3	12/31/2025	Net Pension Liability	602-24000 ENT01	6354A		11,454.00				
3	12/31/2025	State PERA Contribution	602-36201 ENT01	6354A			66.00			
3	12/31/2025	Deferred Outflows	603-17500 ENT02	6354A			3,381.00			
3	12/31/2025	Deferred Inflows	603-22900 ENT02	6354A		5,844.00				
3	12/31/2025	Net Pension Liability	603-24000 ENT02	6354A		11,634.00				
3	12/31/2025	State PERA Contribution	603-36201 ENT02	6354A			67.00			
3	12/31/2025	Deferred Outflows	609-17500 ENT03	6354A			4,629.00			
3	12/31/2025	Deferred Inflows	609-22900 ENT03	6354A		5,936.00				
3	12/31/2025	Net Pension Liability	609-24000 ENT03	6354A		14,836.00				
3	12/31/2025	State PERA Contribution	609-36201 ENT03	6354A			141.00			
3	12/31/2025	Deferred Outflows	619-17500 AF01	6354A			2,462.00			
3	12/31/2025	Deferred Inflows	619-22900 AF01	6354A		3,731.00				
3	12/31/2025	Net Pension Liability	619-24000 AF01	6354A		8,432.00				
3	12/31/2025	State PERA Contribution	619-36201 AF01	6354A			67.00			
3	12/31/2025	Change in Pension	602-49400-800 ENT01	6354A			13,821.00			
3	12/31/2025	Change in Pension	603-49450-800 ENT02	6354A			14,030.00			
3	12/31/2025	Change in Pension	609-49750-800 ENT03	6354A			16,002.00			
3	12/31/2025	Change in Pension	619-49900-800 AF01	6354A			9,634.00			
		To record current year pension activity and adjust year-end balances based on PERA reports.							Recurring	Factual
4	12/31/2025	Fixed Asset-Accum Depreciation	602-16410 ENT01	5513						
4	12/31/2025	Fixed Asset-Accum Depreciation	603-16410 ENT02	5513			728.00			
4	12/31/2025	Fixed Asset-Accum Depreciation	609-16410 ENT03	5513			72.00			
4	12/31/2025	DEPRECIATION	602-49400-405 ENT01	5513						
4	12/31/2025	DEPRECIATION	603-49450-405 ENT02	5513		728.00				
4	12/31/2025	DEPRECIATION	609-49750-405 ENT03	5513		72.00				
		To adjust depreciation for assets added during fieldwork							Recurring	Factual
5	12/31/2025	Fire State Aid	101-33408 GF01	6354F			85,566.00			
5	12/31/2025	OTHER MISCELLANEOUS	101-42280-437 GF01	6354F		85,566.00				
		To gross up the current year flow-through funding that the State contributes to the PERA SVF plan on behalf of the City.							Recurring	Factual
6	12/31/2025	Accounts Receivable	210-11500 GF01	C.100 LEAD		50,000.00				
6	12/31/2025	CONTRIBUTIONS AND DONATIONS	210-36230 GF01	C.100 LEAD			50,000.00			
		To record receivable for FY25 donation received in FY26							Recurring	Factual
7	12/31/2025	Improvements Other Than Bldgs	602-16300 ENT01	N.153		152,000.00				
7	12/31/2025	Improvements Other Than Bldgs	603-16300 ENT02	N.153		310,200.00				
7	12/31/2025	Capital Asset Transfer from Govt Funds	SW-602-39999 ENT01	N.153			152,000.00			
7	12/31/2025	Capital Asset Transfer from Govt Funds	SW-603-39999 ENT02	N.153			310,200.00			
		To record transfer of airport road project to the water and sewer funds							Recurring	Factual
8	12/31/2025	Benefits Payable	602-21500 ENT01				16.00			

**City of Milaca**

Year End: December 31, 2025

Journal Entries: Adjusting

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
8	12/31/2025	Benefits Payable	603-21500 ENT02			617.00				
8	12/31/2025	Benefits Payable	609-21500 ENT03			2,048.00				
8	12/31/2025	Benefits Payable	619-21500 AF01			1,574.00				
8	12/31/2025	FULL-TIME REGULAR	602-49400-101 ENT01			16.00				
8	12/31/2025	FULL-TIME REGULAR	603-49450-101 ENT02				617.00			
8	12/31/2025	FULL-TIME REGULAR	609-49750-101 ENT03				2,048.00			
8	12/31/2025	FULL-TIME REGULAR	619-49900-101 AF01				1,574.00			
		To adjust beginning of year compensated absences balances to match the prior year ending balances.							Recurring	Factual
9	12/31/2025	Accounts Payable	404-20200 DSF02	7013		4,343.00				
9	12/31/2025	Accounts Payable	404-20200 DSF02	7013			50,576.00			
9	12/31/2025	DEVELOPER S 90%	404-49100-439 DSF02	7013			4,343.00			
9	12/31/2025	DEVELOPER S 90%	404-49100-439 DSF02	7013		50,576.00				
		To remove PY TIF payable, and record CY TIF payable.							Recurring	Factual
10	12/31/2025	Taxes Receivable-Delinquent	101-10700 GF01	7014		3,342.00				
10	12/31/2025	Deferred Revenues	101-22200 GF01	7014			3,342.00			
10	12/31/2025	Taxes Receivable-Delinquent	303-10700 DSF01I	7014			3,622.00			
10	12/31/2025	Deferred Revenues	303-22200 DSF01I	7014		3,622.00				
10	12/31/2025	Taxes Receivable-Delinquent	350-10700 DSF01J	7014			3,203.00			
10	12/31/2025	Deferred Revenues	350-22200 DSF01J	7014		3,203.00				
10	12/31/2025	Taxes Receivable-Delinquent	355-10700 DSF01K				147.00			
10	12/31/2025	Deferred Revenues	355-22200 DSF01K			147.00				
10	12/31/2025	Taxes Receivable-Delinquent	356-10700 DSF01L				57.00			
10	12/31/2025	Deferred Revenues	356-22200 DSF01L			57.00				
10	12/31/2025	Taxes Receivable-Delinquent	386-10700 DSF01E	7014		159.00				
10	12/31/2025	Deferred Revenues	386-22200 DSF01E	7014			159.00			
10	12/31/2025	Taxes Receivable-Delinquent	388-10700 DSF01G	7014		268.00				
10	12/31/2025	Deferred Revenues	388-22200 DSF01G	7014			268.00			
		To adjust delinquent tax receivables.							Recurring	Factual
11	12/31/2025	Benefits Payable	602-21500 ENT01	BB.250		423.00				
11	12/31/2025	Benefits Payable	603-21500 ENT02	BB.250			641.00			
11	12/31/2025	Benefits Payable	609-21500 ENT03	BB.250			7,923.00			
11	12/31/2025	Benefits Payable	619-21500 AF01	BB.250			5,951.00			
11	12/31/2025	FULL-TIME REGULAR	602-49400-101 ENT01	BB.250			423.00			
11	12/31/2025	FULL-TIME REGULAR	603-49450-101 ENT02	BB.250		641.00				
11	12/31/2025	FULL-TIME REGULAR	609-49750-101 ENT03	BB.250		7,923.00				
11	12/31/2025	FULL-TIME REGULAR	619-49900-101 AF01	BB.250		5,951.00				
		To adjust compensated absences in the current year.							Recurring	Factual
12	12/31/2025	Accounts Payable	609-20200 ENT03	D.153			30,186.00			
12	12/31/2025	LIQUOR FOR RESALE	609-49750-251 ENT03	D.153		4,170.00				
12	12/31/2025	BEER FOR RESALE	609-49750-252 ENT03	D.153		25,564.00				
12	12/31/2025	WINE FOR RESALE	609-49750-253 ENT03	D.153		65.00				
12	12/31/2025	MIX/NON ALCOHOLIC	609-49750-254 ENT03	D.153		332.00				
12	12/31/2025	OTHER FOR RESALE	609-49750-259 ENT03	D.153		41.00				
12	12/31/2025	FREIGHT AND EXPRESS	609-49750-333 ENT03	D.153		14.00				
		To reverse client entry to liquor store accounts payable, related to ck#53611 double recorded in FY26.							Recurring	Factual
13	12/31/2025	Accounts Payable	215-20200 SRF08	BB.100 LEAD			1,575.00			
13	12/31/2025	OTHER PROFESSIONAL SERVICES	215-49000-310 SRF08	BB.100 LEAD		1,575.00				
		To record a liability in the 215 fund per client's AP Listing. REVERSE 1/1/26.							Recurring	Factual
14	12/31/2025	Accounts Payable	303-20200 DSF01I	BB.100 LEAD		50,074.00				
14	12/31/2025	Accounts Payable	350-20200 DSF01J	BB.100 LEAD		39,062.00				
14	12/31/2025	Accounts Payable	388-20200 DSF01G	BB.100 LEAD		54,500.00				
14	12/31/2025	DEBT SRV BOND PRINCIPAL	303-47000-601 DSF01I	BB.100 LEAD			45,000.00			
14	12/31/2025	BOND INTEREST	303-47000-611 DSF01I	BB.100 LEAD			5,074.00			

**City of Milaca**

Year End: December 31, 2025

Journal Entries: Adjusting

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
14	12/31/2025	DEBT SERVICE BOND PRINCIPAL	350-47000-601 DSF01J	BB.100	LEAD		30,000.00			
14	12/31/2025	BOND INTEREST	350-47000-611 DSF01J	BB.100	LEAD		9,062.00			
14	12/31/2025	DEBT SRV BOND PRINCIPAL	388-47000-601 DSF01G	BB.100	LEAD		50,000.00			
14	12/31/2025	BOND INTEREST	388-47000-611 DSF01G	BB.100	LEAD		4,500.00			
		To take bond principal and interest payments out of AP at year-end.							Recurring	Factual
15	12/31/2025	Fixed Asset-Equip/Machinery	602-16400 ENT01	N.152		56,525.00				
15	12/31/2025	Fixed Asset-Equip/Machinery	603-16400 ENT02	N.152		58,220.00				
15	12/31/2025	Improvements Other Than Bldgs	609-16300 ENT03	N.152		13,116.00				
15	12/31/2025	OTHER EQUIPMENT	602-49400-580 ENT01	N.152			56,525.00			
15	12/31/2025	OTHER EQUIPMENT	603-49450-580 ENT02	N.152			58,220.00			
15	12/31/2025	IMPROV OTHER THAN BLDGS	609-49750-530 ENT03	N.152			13,116.00			
		To record additions in business-type activities							Recurring	Factual
16	12/31/2025	Accounts Payable	101-20200 GF01	BB.150			12,348.00			
16	12/31/2025	Accounts Payable	208-20200 SRF03	BB.150			232.00			
16	12/31/2025	Accounts Payable	602-20200 ENT01	BB.150			15,864.00			
16	12/31/2025	Accounts Payable	603-20200 ENT02	BB.150			4,426.00			
16	12/31/2025	Accounts Payable	609-20200 ENT03	BB.150			2,462.00			
16	12/31/2025	OTHER PROFESSIONAL SERVICES	101-41120-310 GF01	BB.150		484.00				
16	12/31/2025	OTHER PROFESSIONAL SERVICES	101-41940-310 GF01	BB.150		137.00				
16	12/31/2025	UTILITIES	101-41940-381 GF01	BB.150		916.00				
16	12/31/2025	OTHER MISCELLANEOUS	101-42110-437 GF01	BB.150		139.00				
16	12/31/2025	OTHER PROFESSIONAL SERVICES	101-42280-310 GF01	BB.150		1,334.00				
16	12/31/2025	UTILITIES	101-42280-381 GF01	BB.150		1,587.00				
16	12/31/2025	ENGINEERING FEES	101-43000-303 GF01	BB.150		2,643.00				
16	12/31/2025	STREET LIGHTS	101-43000-380 GF01	BB.150		3,026.00				
16	12/31/2025	UTILITIES	101-43000-381 GF01	BB.150		582.00				
16	12/31/2025	UTILITIES	101-45200-381 GF01	BB.150		215.00				
16	12/31/2025	UTILITIES	101-45500-381 GF01	BB.150		744.00				
16	12/31/2025	UTILITIES	101-49010-381 GF01	BB.150		109.00				
16	12/31/2025	UTILITIES	101-49810-381 GF01	BB.150		432.00				
16	12/31/2025	UTILITIES	208-45600-381 SRF03	BB.150		232.00				
16	12/31/2025	ENGINEERING FEES	602-49400-303 ENT01	BB.150		5,408.00				
16	12/31/2025	UTILITIES	602-49400-381 ENT01	BB.150		4,782.00				
16	12/31/2025	WATER/SEWER REPAIR	602-49400-408 ENT01	BB.150		5,674.00				
16	12/31/2025	ENGINEERING FEES	603-49450-303 ENT02	BB.150		3,245.00				
16	12/31/2025	UTILITIES	603-49450-381 ENT02	BB.150		1,181.00				
16	12/31/2025	UTILITIES	609-49750-381 ENT03	BB.150		2,462.00				
		To adjust for errors in A/P at year-end. REVERSE as of 1/1/2026.							Recurring	Factual
17	12/31/2025	Wages & Salaries Payable	101-21600 GF01				31,913.00			
17	12/31/2025	Health Saving Account	101-21705 GF01				4,348.00			
17	12/31/2025	Medical Insur.	101-21706 GF01				16,573.00			
17	12/31/2025	Disability & Life/AD&D	101-21707 GF01				1,792.00			
17	12/31/2025	Union Dues	101-21710 GF01				256.00			
17	12/31/2025	Dental	101-21712 GF01				929.00			
17	12/31/2025	Wages & Salaries Payable	602-21600 ENT01			4,507.00				
17	12/31/2025	Wages & Salaries Payable	603-21600 ENT02			4,612.00				
17	12/31/2025	Wages & Salaries Payable	609-21600 ENT03			11,772.00				
17	12/31/2025	Wages & Salaries Payable	619-21600 AF01			5,167.00				
17	12/31/2025	FULL-TIME REGULAR	101-41310-101 GF01			4,360.00				
17	12/31/2025	FULL-TIME REGULAR	101-41510-101 GF01			5,305.00				
17	12/31/2025	FULL-TIME REGULAR	101-41940-101 GF01			4,607.00				
17	12/31/2025	FULL-TIME REGULAR	101-42110-101 GF01			26,973.00				
17	12/31/2025	FULL-TIME REGULAR	101-43000-101 GF01			5,529.00				
17	12/31/2025	FULL-TIME REGULAR	101-45200-101 GF01			5,530.00				
17	12/31/2025	TEMP-WINTER HELP	101-45210-105 GF01			742.00				
17	12/31/2025	FULL-TIME REGULAR	101-49810-101 GF01			2,765.00				
17	12/31/2025	FULL-TIME REGULAR	602-49400-101 ENT01				4,507.00			
17	12/31/2025	FULL-TIME REGULAR	603-49450-101 ENT02				4,612.00			
17	12/31/2025	FULL-TIME REGULAR	609-49750-101 ENT03				11,772.00			
17	12/31/2025	FULL-TIME REGULAR	619-49900-101 AF01				5,167.00			
		To adjust salaries and benefits							Recurring	Factual

**City of Milaca**

Year End: December 31, 2025

Journal Entries: Adjusting

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
payable to agree to client's schedule									
18	12/31/2025	Fund Cash	101-10000 GF01				35,175.00		
18	12/31/2025	Fund Cash	101-10000 GF01			351.00			
18	12/31/2025	Fund Cash	101-10000 GF01			192,297.00			
18	12/31/2025	Fund Cash	101-10000 GF01				2,000.00		
18	12/31/2025	Fund Cash	101-10000 GF01			40,389.00			
18	12/31/2025	Taxes Receivable - Current	101-10701 GF01			9.00			
18	12/31/2025	Accounts Receivable	101-11500 GF01			500.00			
18	12/31/2025	CURRENT AD VALOREM TAXES	101-31010 GF01				9.00		
18	12/31/2025	DELINQUENT AD VALOREM TAXES	101-31020 GF01				351.00		
18	12/31/2025	OTHER LEASES	101-34112 GF01			2,000.00			
18	12/31/2025	OTHER LEASES	101-34112 GF01				500.00		
18	12/31/2025	Transfer In (Debt Service Closeouts)	101-39200 GF01				192,297.00		
18	12/31/2025	Transfer In (Debt Service Closeouts)	101-39200 GF01				40,389.00		
18	12/31/2025	Fund Cash	382-10000 DSF01A			35,175.00			
18	12/31/2025	Transfer In	382-39203 DSF01A				35,175.00		
18	12/31/2025	Fund Cash	383-10000 DSF01B				351.00		
18	12/31/2025	Fund Cash	383-10000 DSF01B				192,297.00		
18	12/31/2025	Taxes Receivable - Current	383-10701 DSF01B				9.00		
18	12/31/2025	Current Ad Valorem Taxes	383-31010 DSF01B			9.00			
18	12/31/2025	Delinquent Ad Valorem Taxes	383-31020 DSF01B			351.00			
18	12/31/2025	Fund Cash	385-10000 DSF01D			2,000.00			
18	12/31/2025	Fund Cash	385-10000 DSF01D				40,389.00		
18	12/31/2025	Accounts Receivable	385-11500 DSF01D				500.00		
18	12/31/2025	Other Leases	385-34112 DSF01D				2,000.00		
18	12/31/2025	Other Leases	385-34112 DSF01D			500.00			
18	12/31/2025	Transfer Out (Debt Service Closeout)	101-40000-730 GF01			35,175.00			
18	12/31/2025	Transfer Out	383-49200-730 DSF01B			192,297.00			
18	12/31/2025	Transfer Out	385-49200-730 DSF01D			40,389.00			
To close out inactive debt service funds, per Tammy. (Inactivate these funds in FY26)								Recurring	Factual
19	12/31/2025	Lease Receivables	101-11700 GF01	6503			7,676.00		
19	12/31/2025	OFFICE/COUNCIL ROOM RENTAL	101-34101 GF01	6503		2,400.00			
19	12/31/2025	OTHER LEASES	101-34112 GF01	KK.250		6,000.00			
19	12/31/2025	Interest Earnings - Leases	101-36211 GF01	6503			724.00		
19	12/31/2025	Lease Receivables	602-11700 ENT01	6503			12,775.00		
19	12/31/2025	MISCELLANEOUS REVENUES	602-36200 ENT01	6503		22,062.00			
19	12/31/2025	Interest Earnings - Leases	602-36211 ENT01	6503			9,287.00		
To apply a portion of current year lease collections to the lease receivable principal balance, and reallocate the remainder to interest earning.								Recurring	Factual
20	12/31/2025	Deferred Inflows - Leases	101-22300 GF01	6503		7,909.00			
20	12/31/2025	Lease Revenue (Amortization)	101-38000 GF01	6503			7,909.00		
20	12/31/2025	Deferred Inflows - Leases	602-22300 ENT01	6503		19,362.00			
20	12/31/2025	Lease Revenue (Amortization)	602-38000 ENT01	6503			19,362.00		
To amortize the lease deferral on a straight-line basis, resulting in lease revenue being recorded.								Recurring	Factual
21	12/31/2025	Special Assess Rec-Deferred	101-12300 GF01			23,302.00			
21	12/31/2025	SPECIAL ASSESSMENTS	101-36100 GF01				23,302.00		
To recognize Hazardous Building Special assessment in FY25. (Reclass from deferred revenue)								Recurring	Factual
22	12/31/2025	Due From Other Governments	501-13200 CPF05	5515			74,872.00		
22	12/31/2025	Federal Grant CPF	501-33170 CPF05	5515		74,872.00			
To adjust year end receivable for the Federal grant (receivable booked for expenditures incurred to date only)								Recurring	Factual
23	12/31/2025	Special Assess Rec-Delinquent	101-12200 GF01				1,460.00		
23	12/31/2025	Special Assess Rec-Deferred	101-12300 GF01			1,460.00			
23	12/31/2025	Special Assess Rec-Deferred	101-12300 GF01				85.00		
23	12/31/2025	Deferred Revenues	101-22200 GF01				10,141.00		
23	12/31/2025	Deferred Revenues	101-22200 GF01			1,460.00			

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Adjusting**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
23	12/31/2025	Deferred Revenues - Spec Asses	101-22201 GF01			10,226.00				
23	12/31/2025	Deferred Revenues - Spec Asses	101-22201 GF01				1,460.00			
23	12/31/2025	Special Assess Rec-Delinquent	602-12200 ENT01				208.00			
23	12/31/2025	Special Assess Rec-Deferred	602-12300 ENT01			208.00				
23	12/31/2025	Special Assess Rec-Deferred	602-12300 ENT01				1,022.00			
23	12/31/2025	SPECIAL ASSESSMENTS	602-36100 ENT01			1,090.00				
23	12/31/2025	SPECIAL ASSESSMENTS	602-36100 ENT01				68.00			
		To adjust Special Assessment Deferrals based on county reports.							Recurring	Factual
24	12/31/2025	Lease Receivables	101-11700 GF01	KK.250		21,453.00				
24	12/31/2025	Deferred Inflows - Leases	101-22300 GF01	KK.250			21,453.00			
		To record the lease balances for the new lease issuances.							Recurring	Factual
25	12/31/2025	Fund Cash	101-10000 GF01				2,276.00			
25	12/31/2025	Fund Cash	101-10000 GF01				102,941.00			
25	12/31/2025	Fund Cash	101-10000 GF01			5,071.00				
25	12/31/2025	ZONING AND SUBDIVISION FEES	101-34103 GF01			500.00				
25	12/31/2025	Escrow Fees	101-34114 GF01			100,000.00				
25	12/31/2025	MISCELLANEOUS REVENUES	101-36200 GF01			8,000.00				
25	12/31/2025	MISCELLANEOUS REVENUES	101-36200 GF01			10,800.00				
25	12/31/2025	Escrowed Cash	110-10000 GF01B			2,276.00				
25	12/31/2025	Escrowed Cash	110-10000 GF01B			102,941.00				
25	12/31/2025	Escrowed Cash	110-10000 GF01B				5,071.00			
25	12/31/2025	AT&T Escrow	110-22001 GF01B				2,276.00			
25	12/31/2025	Circle K Escrow	110-22002 GF01B				102,941.00			
25	12/31/2025	Rum River Escrow	110-22003 GF01B			5,071.00				
25	12/31/2025	LEGAL FEES	101-41610-304 GF01				1,500.00			
25	12/31/2025	LEGAL FEES	101-41610-304 GF01				788.00			
25	12/31/2025	LEGAL FEES	101-41610-304 GF01				481.00			
25	12/31/2025	ENGINEERING FEES	101-43000-303 GF01				1,242.00			
25	12/31/2025	ENGINEERING FEES	101-43000-303 GF01				1,704.00			
25	12/31/2025	ENGINEERING FEES	101-43000-303 GF01				1,278.00			
25	12/31/2025	ENGINEERING FEES	101-43000-303 GF01				7,071.00			
25	12/31/2025	ENGINEERING FEES	101-43000-303 GF01				5,090.00			
		Netting escrow receipts and expenditures to escrow payable accounts as of 12/31/2025.							Recurring	Factual
26	12/31/2025	Bond Payable Current	602-23131 ENT01	KK.300 LEAD		169,000.00				
26	12/31/2025	DEBT SRV BOND PRINCIPAL	602-49400-601 ENT01	KK.300 LEAD			169,000.00			
		To reclass debt principal payment to \$0 and remove BOY Current bond payable.							Recurring	Factual
27	12/31/2025	Deferred AR Payments	101-22206 GF01			500.00				
27	12/31/2025	OTHER LEASES	101-34112 GF01				500.00			
		To remove deferred lease revenue							Recurring	Factual
						<b>2,356,192.00</b>	<b>2,356,192.00</b>			

## **EXHIBIT A-2**

### **OTHER JOURNAL ENTRIES**

Includes:

- Entries provided by the City
- Reclassifications for financial statement presentation
- Government-wide conversion entries

**City of Milaca**

Year End: December 31, 2025

Journal Entries: Reclassifying

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
101	12/31/2025	Unreserved Fund Balance	101-25300 GF01			3.00				
101	12/31/2025	Unreserved Fund Balance	383-25300 DSF01B				1.00			
101	12/31/2025	Delinquent Ad Valorem Taxes	383-31020 DSF01B			1.00				
101	12/31/2025	Unreserved Fund Balance	609-25300 ENT03				1.00			
101	12/31/2025	Unreserved Fund Balance	619-25300 AF01				2.00			
101	12/31/2025	PROFESSIONAL SRVS	101-41550-300 GF01			1.00				
101	12/31/2025	Imprv Other than Bldgs	200-46500-530 SRF01			1.00				
101	12/31/2025	OTHER PROFESSIONAL SERVICES	215-49000-310 SRF08				1.00			
101	12/31/2025	Improv Other Than Bldgs	216-42110-530 CPF01				1.00			
101	12/31/2025	FISCAL AGENT S FEES	350-47000-620 DSF01J			2.00				
101	12/31/2025	Fiscal Agent s Fees	356-47000-620 DSF01L				1.00			
101	12/31/2025	Engineering Fees	501-43100-303 CPF05			1.00				
101	12/31/2025	ENGINEERING FEES	602-49400-303 ENT01				3.00			
101	12/31/2025	OFFICE SUPPLIES	619-49900-201 AF01			1.00				
		To record immaterial plugs to tie out opening equity and balance funds.								Recurring
102	12/31/2025	Revenue Bonds Payable NC	602-23130 ENT01	6001		248,000.00				
102	12/31/2025	Bond Payable Current	602-23131 ENT01	6001			248,000.00			
102	12/31/2025	Bonds Payable	902-18202 G34G	6001		203,274.00				
102	12/31/2025	Capital Lease	902-18208 G34G	6001		28,153.00				
102	12/31/2025	Current Portion LTD	SW-902-23131 G34G	6001			203,274.00			
102	12/31/2025	Current Portion Capital Lease	SW-902-23132 G34G	6001			28,153.00			
		To reclass current portion debt.								Recurring
103	12/31/2025	Fund Cash	101-10000 GF01	C.300 FN			149,477.00			
103	12/31/2025	Due from Other Funds	101-13101 GF01	C.300 FN		149,477.00				
103	12/31/2025	Fund Cash	200-10000 SRF01	C.300 FN		110,550.00				
103	12/31/2025	Due to Other Funds	200-20701 SRF01	C.300 FN			110,550.00			
103	12/31/2025	Fund Cash	355-10000 DSF01K	C.300 FN						
103	12/31/2025	Due to Other Funds	355-20701 DSF01K	C.300 FN						
103	12/31/2025	Fund Cash	382-10000 DSF01A	C.300 FN						
103	12/31/2025	Due to Other Funds	382-20701 DSF01A	C.300 FN						
103	12/31/2025	Fund Cash	404-10000 DSF02	C.300 FN		38,428.00				
103	12/31/2025	Due to Other Funds	404-20701 DSF02	C.300 FN			38,428.00			
103	12/31/2025	Fund Cash	407-10000 DSF03	C.300 FN		499.00				
103	12/31/2025	Due to Other Funds	407-20701 DSF03	C.300 FN			499.00			
103	12/31/2025	Fund Cash	501-10000 CPF05	C.300 FN						
103	12/31/2025	Due to Other Funds	501-20701 CPF05	C.300 FN						
		To reclassify cash deficits to be presented as interfund balances.								Recurring
104	12/31/2025	Fire State Aid	101-33408 GF01	7005		3,300.00				
104	12/31/2025	Other State Aid - Fire/Police	101-33410 GF01	7005			3,300.00			
		To reclassify misc state reimbursements to an account that is mapped under "Other State Aid," based on OSA reporting instructions								Recurring
105	12/31/2025	Lease Receivables	101-11700 GF01				7,910.00			
105	12/31/2025	Lease Receivables - Current	101-11701 GF01			7,910.00				
105	12/31/2025	Lease Receivables	602-11700 ENT01				13,870.00			
105	12/31/2025	Lease Receivables - Current	602-11701 ENT01			13,870.00				
		To break out the current portion of lease receivables at year-end.								Recurring
106	12/31/2025	Other State Grants and Aids	101-33403 GF01	1151			11,107.00			
106	12/31/2025	OTHER STATE AID GRANTS	101-33422 GF01	1151		11,107.00				
		To reclass Transition Aid out of the Small Cities Assistance Aid account for financial statement presentation purposes.								Recurring
107	12/31/2025	Special Assess Rec-Delinquent	101-12200 GF01	1202			23,302.00			
107	12/31/2025	Special Assess Rec-Deferred	101-12300 GF01	1202			1,460.00			
107	12/31/2025	Special Assess Rec-Deferred	602-12300 ENT01	1202			884.00			
107	12/31/2025	Special Assess Rec-Within 1 year	SW-101-12000 GF01	1202		1,460.00				

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Reclassifying**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
107	12/31/2025	Special Assess Rec-Within 60 days	SW-101-12001 GF01	1202		23,302.00				
107	12/31/2025	Special Assess Rec-Within 1 year	SW-602-12000 ENT01	1202		884.00				
		To reclass special assessment receivable balances due in 1 year/60 days							Recurring	
108	12/31/2025	MOTOR VEHICLE LICENSE	619-37900 AF01	7009			4,225,182.00			
108	12/31/2025	MOTOR VEHICLE LICENSE	619-37900 AF01	7009						
108	12/31/2025	D.N.R.	619-37912 AF01	7009			154,036.00			
108	12/31/2025	State Remittances - Motor Vehicle	SW-619-4990-500 AF01	7009		4,225,182.00				
108	12/31/2025	State Remittances - Motor Vehicle	SW-619-4990-500 AF01	7009						
108	12/31/2025	State Remittances - DNR	SW-619-4990-502 AF01	7009		154,036.00				
		To break out DMV payments going back to the State that were lumped with revenue accounts per review of the GL Detail.							Recurring	
109	12/31/2025	Capital Lease	902-18208 G34G	KK.300 LEAD		161.00				
109	12/31/2025	GW - Equity Adjustment	SW-GW-24101 G34G	KK.300 LEAD			161.00			
109	12/31/2025	BOND INTEREST	356-47000-611 DSF01L	KK.300 LEAD			1,375.00			
109	12/31/2025	Fiscal Agent s Fees	356-47000-620 DSF01L	KK.300 LEAD		1,375.00				
109	12/31/2025	CAPITAL LEASE PAYMENT	389-47000-606 DSF01H	KK.300 LEAD		82.00				
109	12/31/2025	INTEREST EXPENSE	389-47000-610 DSF01H	KK.300 LEAD			82.00			
		To reclass debt payment to properly show principal/interest paid.							Recurring	
110	12/31/2025	THC Products For Resale	609-49750-258 ENT03			1,018.00				
110	12/31/2025	THC Products For Resale	609-49750-258 ENT03			41,093.00				
110	12/31/2025	OTHER FOR RESALE	609-49750-259 ENT03				42,111.00			
		To move THC COGS into its own account. Adjusted per the "Cost - Profit by Department" POS report for THC products							Recurring	
111	12/31/2025	Accounts Receivable	603-11500 ENT02			1,588.00				
111	12/31/2025	Special Assess Rec-Deferred	603-12300 ENT02				1,588.00			
		To reclass sewer charges for services out of special assessment revenue							Recurring	
201	12/31/2025	Amount Provided for Debt Retir	902-18200 G34G	6000 GOV LE/			184,857.00			
201	12/31/2025	Bonds Payable	902-18202 G34G	6000 GOV LE/		184,857.00				
		To move bonds payable back to it's opening balance at the beginning of the year.							Recurring	
202	12/31/2025	Amount Provided for Debt Retir	902-18200 G34G	6001		77,427.00				
202	12/31/2025	Bond Premium	SW-902-19000 G34G	6001			71,534.00			
202	12/31/2025	Amortization Expense	902-43100-499 G34G	6001			5,893.00			
		To record bond premium amortization.							Recurring	
203	12/31/2025	Amount Avail in Debt Srv Funds	902-18100 G34G	6001		36,623.00				
203	12/31/2025	Accrued Interest	902-22800 G34G	6001			20,802.00			
203	12/31/2025	Interest Expense	902-47000-610 G34G	6001			15,821.00			
		To record accrued interest.							Recurring	
204	12/31/2025	Bonds Payable	902-18202 G34G	6001		188,143.00				
204	12/31/2025	GW - Equity Adjustment	SW-GW-24101 G34G	6001		27,109.00				
204	12/31/2025	Debt Srv Bond Principal	901-47000-601 G34G	6001			188,143.00			
204	12/31/2025	Capital Lease Debt Principal	901-47000-606 G34G	6001			27,109.00			
		To record current year GW debt payments							Recurring	
205	12/31/2025	Amount Provided for Debt Retir	902-18200 G34G	6354A		504,390.00				
205	12/31/2025	Net Pension Liability	902-18300 G34G	6354A			623,489.00			
205	12/31/2025	Deferred Outflows	902-18301 G34G	6354A		819,435.00				
205	12/31/2025	Deferred Inflows	902-18302 G34G	6354A			1,011,025.00			

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Reclassifying**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
205	12/31/2025	Net Pension Asset - Fire Relief	902-18303 G34G	6354A		335,818.00			
205	12/31/2025	Deferred Outflows - Fire Relief	902-18304 G34G	6354A		44,603.00			
205	12/31/2025	Deferred Inflows - Fire Relief	902-18305 G34G	6354A			69,732.00		
		To record GASB 68 beginning balances.						Recurring	
206	12/31/2025	Net Pension Asset - Fire Relief	902-18303 G34G	6354A			145,031.00		
206	12/31/2025	Deferred Outflows - Fire Relief	902-18304 G34G	6354A			10,716.00		
206	12/31/2025	Deferred Inflows - Fire Relief	902-18305 G34G	6354A		22,365.00			
206	12/31/2025	PERA Fire State Contribution	902-36202 G34G	6354A		11,616.00			
206	12/31/2025	Pension Expense - Fire Relief	902-48000-121 G34G	6354A		121,766.00			
		To adjust for current year VFRA pension activity based on the VFRA schedules.						Recurring	
207	12/31/2025	Net Pension Liability	902-18300 G34G	6354A		97,456.00			
207	12/31/2025	Deferred Outflows	902-18301 G34G	6354A			247,425.00		
207	12/31/2025	Deferred Inflows	902-18302 G34G	6354A		192,122.00			
207	12/31/2025	PERA State Contribution	902-36201 G34G	6354A			18,775.00		
207	12/31/2025	Pension Expense - Admin & Finance	902-41310-121 G34G	6354A			4,236.00		
207	12/31/2025	Pension Expense - Admin & Finance	902-41510-121 G34G	6354A			5,433.00		
207	12/31/2025	Pension Expense - General Gov	902-41940-121 G34G	6354A			4,593.00		
207	12/31/2025	Pension Expense - Police	902-42110-121 G34G	6354A		7,313.00			
207	12/31/2025	Pension Expense - Streets	902-43000-121 G34G	6354A			6,572.00		
207	12/31/2025	Pension Expense - Parks & Rec	902-45200-121 G34G	6354A			6,572.00		
207	12/31/2025	Pension Expense - Airport	902-49810-121 G34G	6354A			3,285.00		
		To adjust for current year PERA pension activity based on schedules from PERA.						Recurring	
208	12/31/2025	Accum Depr-Bldgs/Improvements	901-21000 G34G	5512			143,792.00		
208	12/31/2025	Accum Depr-Equip/Machinery	901-23000 G34G	5512			232,298.00		
208	12/31/2025	Accum Depr - Infrastructure	901-29000 G34G	5512			422,984.00		
208	12/31/2025	Depreciation - General Government	901-41940-100 G34G	5512		50,615.00			
208	12/31/2025	Depreciation - Police	901-42110-100 G34G	5512		58,846.00			
208	12/31/2025	Depreciation - Fire	901-42280-100 G34G	5512		135,999.00			
208	12/31/2025	Depreciation - PW (Shop, Streets)	901-43000-100 G34G	5512		303,288.00			
208	12/31/2025	Depreciation - Parks	901-45200-100 G34G	5512		152,875.00			
208	12/31/2025	Depreciation - Library	901-45500-100 G34G	5512		53,759.00			
208	12/31/2025	Depreciation - Airport	901-49810-100 G34G	5512		43,692.00			
		To record current year depreciation expense in governmental funds.						Recurring	
209	12/31/2025	Fixed Asset-Land	901-16100 G34G	5510 GOV LE/		241,077.00			
209	12/31/2025	Fixed Asset-Buildings	901-16200 G34G	5510 GOV LE/		129,150.00			
209	12/31/2025	Improvements Other Than Bldgs	901-16300 G34G	5510 GOV LE/		3,688,362.00			
209	12/31/2025	Fixed Asset-Equip/Machinery	901-16400 G34G	5510 GOV LE/		744,746.00			
209	12/31/2025	Fixed Asset-Const in Progress	901-16500 G34G	5510 GOV LE/		1,268,317.00			
209	12/31/2025	Accum Depr-Bldgs/Improvements	901-21000 G34G	5510 GOV LE/			534,317.00		
209	12/31/2025	Accum Depr-Equip/Machinery	901-23000 G34G	5510 GOV LE/			751,185.00		
209	12/31/2025	Investment General Fixed Asset	901-28000 G34G	5510 GOV LE/			3,532,042.00		
209	12/31/2025	Accum Depr - Infrastructure	901-29000 G34G	5510 GOV LE/			1,254,108.00		
		To adjust GW capital assets to their BOY balance.						Recurring	
210	12/31/2025	Amount Provided for Sick/Sevr	902-18201 G34G	BB.250		35,416.00			
210	12/31/2025	Amount Provided for Sick/Sevr	902-18201 G34G	BB.250					
210	12/31/2025	Sick/Sev Leave Payable	902-18203 G34G	BB.250			35,416.00		
210	12/31/2025	Change in Accounting Principle	902-25999 G34G	BB.250					
		To adjust beginning compensated absences to agree to the prior year.						Recurring	
211	12/31/2025	Deferred Revenue Contra - GA	SW-22200 G34G	7010 GOV LE/		41,693.00			
211	12/31/2025	Deferred Revenue Conta - Special Assessments	SW-22201 G34G	7010 GOV LE/		1,460.00			
211	12/31/2025	General Property Taxes - GA	SW-31010 G34G	7010 GOV LE/		16,610.00			
211	12/31/2025	Airport State Aid - GA	SW-33406 G34G	7010 GOV LE/					

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Reclassifying**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
211	12/31/2025	Special Assessments - GA	SW-36100 G34G	7010	GOV LE/	85.00				
211	12/31/2025	Deferred Revenues	101-22200 GF01	7010	GOV LE/					
211	12/31/2025	Deferred Revenues - Spec Asses	101-22201 GF01	7010	GOV LE/					
211	12/31/2025	Amount Provided from Spec Assm	902-18101 G34G	7010	GOV LE/		58,303.00			
211	12/31/2025	Amount Provided from Spec Assm	902-18101 G34G	7010	GOV LE/		1,545.00			
211	12/31/2025	Amount Provided from Spec Assm	902-18101 G34G	7010	GOV LE/					
		To eliminate deferred inflows on the government wide level.								Recurring
212	12/31/2025	Due From Other Funds (GW Contra Account)	SW-13101 G34G	C.300	LEAD		149,477.00			
212	12/31/2025	Due From Other Funds (GW Contra Account)	SW-20701 G34G	C.300	LEAD	149,477.00				
212	12/31/2025	Transfer In (GW Contra Account)	SW-39203 G34G	C.300	LEAD	318,677.00				
212	12/31/2025	Transfer Out (GW Contra Account)	SW-49200-730 G34G	C.300	LEAD		318,677.00			
		To eliminate interfund balances for govt activities (using contra-accounts), for financial statement presentation purposes.								Recurring
213	12/31/2025	Improvements Other Than Bldgs	901-16300 G34G	N.153			462,200.00			
213	12/31/2025	Capital Asset Transfer to Bus-Type Funds	SW-901-49200-999 G34G	N.153		462,200.00				
		To record Capital asset transfer from the governmental activities to the business type activities								Recurring
214	12/31/2025	Fixed Asset-Buildings	901-16200 G34G	N.153		43,318.00				
214	12/31/2025	Improvements Other Than Bldgs	901-16300 G34G	N.153		274,758.00				
214	12/31/2025	Improvements Other Than Bldgs	901-16300 G34G	N.153		1,904,824.00				
214	12/31/2025	Fixed Asset-Equip/Machinery	901-16400 G34G	N.153		943,015.00				
214	12/31/2025	Fixed Asset-Const in Progress	901-16500 G34G	5515		1,900,048.00				
214	12/31/2025	Fixed Asset-Const in Progress	901-16500 G34G	N.153			3,165,915.00			
214	12/31/2025	Legal Notice Publishing	901-41110-351 G34G	5515			725.00			
214	12/31/2025	Other Professional Services	901-41120-310 G34G	N.153			910.00			
214	12/31/2025	Repairs/Maint Buildings	901-41940-401 G34G	5515			23,440.00			
214	12/31/2025	Equipment Parts/Repairs	901-42280-221 G34G	N.153			2,304.00			
214	12/31/2025	Small Tools and Minor Equip	901-42280-240 G34G	N.153			100.00			
214	12/31/2025	Reserve Purchase	901-42280-241 G34G	N.153			940,582.00			
214	12/31/2025	Other Miscellaneous	901-42280-437 G34G	N.153			29.00			
214	12/31/2025	Engineering Fees	901-43000-303 G34G	5515			39,300.00			
214	12/31/2025	Repairs/Maint Streets	901-43000-403 G34G	N.153			1,505.00			
214	12/31/2025	Improv Other than Bldgs	901-43000-530 G34G	5515			233,293.00			
214	12/31/2025	Engineering Fees	901-43100-303 G34G	N.153			17,867.00			
214	12/31/2025	Street Construction	901-43100-405 G34G	N.153			626,785.00			
214	12/31/2025	Other Professional Services	901-46500-310 G34G	5515			12,098.00			
214	12/31/2025	Other Advertising	901-46500-343 G34G	5515			72.00			
214	12/31/2025	Improv Other Than Buildings	901-46500-530 G34G	5515			1,038.00			
		To record current year CIP activity and capitalize completed projects.								Recurring
215	12/31/2025	Fixed Asset-Buildings	901-16200 G34G	N.151		10,600.00				
215	12/31/2025	Improvements Other Than Bldgs	901-16300 G34G	N.151		13,256.00				
215	12/31/2025	Fixed Asset-Equip/Machinery	901-16400 G34G	N.151		89,338.00				
215	12/31/2025	Small Tools and Minor Equip	901-42110-240 G34G	N.151			16,560.00			
215	12/31/2025	Other Equipment	901-42280-580 G34G	N.151			5,270.00			
215	12/31/2025	Buildings and Structures	901-43000-520 G34G	N.151			19,800.00			
215	12/31/2025	Reserve Purchase	901-45200-241 G34G	N.151			13,256.00			
215	12/31/2025	Buildings and Structures	901-45200-520 G34G	N.151			10,600.00			
215	12/31/2025	Other Equipment	901-45200-580 G34G	N.151			23,308.00			
215	12/31/2025	Improv Other Than Bldgs	901-49810-530 G34G	N.151			24,400.00			
		To record current year additions in governmental funds.								Recurring
216	12/31/2025	Fixed Asset-Equip/Machinery	901-16400 G34G	N.151			223,585.00			
216	12/31/2025	Accum Depr-Equip/Machinery	901-23000 G34G	N.151		223,585.00				
		To record current year disposals								Recurring
217	12/31/2025	Sick/Sev Leave Payable	902-18203 G34G	BB.250		10,782.00				

**City of Milaca**

**Year End: December 31, 2025**

**Journal Entries: Reclassifying**

**Date: 1/1/2025 To 12/31/2025**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
217	12/31/2025	Salaries Expense - General	902-41110-101 G34G	BB.250			7,585.00		
217	12/31/2025	Salaries Expense - Police	902-42110-101 G34G	BB.250			3,632.00		
217	12/31/2025	Salaries Expense - Public Works	902-43000-101 G34G	BB.250		6,271.00			
217	12/31/2025	Salaries Expense - Parks	902-45200-101 G34G	BB.250			5,836.00		
		To adjust compensated absences in the current year.						Recurring	
						<b>21,251,941.00</b>	<b>21,251,941.00</b>		

## EXHIBIT A-3

### UNCORRECTED MISSTATEMENTS

The effects of identified uncorrected misstatements have been summarized below:

#### General Fund

Description	Effect — Overstated (Understated)				
	Assets	Liabilities	Fund Balance	Revenues	Expenditures
<i>Reversed Opening Equity Misstatements:</i>					
Overstatement of current year revenues due to an understatement of prior year receivables	\$ -	\$ -	\$ -	\$ 70,000	\$ -

#### Governmental Activities

Description	Effect — Overstated (Understated)				
	Assets	Liabilities	Net Position	Revenues	Expenses
<i>Reversed Opening Equity Misstatements:</i>					
Overstatement of current year revenues due to an understatement of prior year receivables	\$ -	\$ -	\$ -	\$ 70,000	\$ -

**Note:** The Reversed opening equity misstatements have no effect on the cumulative ending equity and therefore should not be included in the "Fund Balance / Net Position" total.

# City of Milaca, Minnesota

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## Audited Financial Statements

For The Year Ended  
December 31, 2025

**CITY OF MILACA, MINNESOTA  
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**INTRODUCTORY  
SECTION**

**CITY OF MILACA, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**CITY COUNCIL**

Term Expires

Dave Dillan	Mayor	December 31, 2026
Norris Johnson	Council Member	December 31, 2026
Lindsee Larsen	Council Member	December 31, 2028
Ken Muller	Council Member	December 31, 2026
Tim Poorker	Council Member	December 31, 2028

**CITY OFFICIALS**

Tammy Pfaff	Manager
Elizabeth Nealley	Treasurer

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Milaca, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the 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 Milaca, Minnesota, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinions on the basic financial statements are not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and supplemental schedules and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2026 on our consideration of the City of Milaca'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'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 Milaca's internal control over financial reporting and compliance.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 10, 2026

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MILACA, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2025**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 2,641,005	\$ 1,736,175	\$ 4,377,180
Property Taxes Receivable	53,278	-	53,278
Assessments Receivable	24,762	4,940	29,702
Accounts Receivable	79,652	92,996	172,648
Interest Receivable	12,153	-	12,153
Lease Receivables	14,973	280,587	295,560
Inventory	-	538,843	538,843
Prepays	64,888	18,713	83,601
Capital Assets Not Being Depreciated	487,028	79,543	566,571
Capital Assets Being Depreciated (Net)	10,625,809	4,772,739	15,398,548
Net Pension Asset	190,787	-	190,787
<b>TOTAL ASSETS</b>	<b>14,194,335</b>	<b>7,524,536</b>	<b>21,718,871</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	605,897	55,248	661,145
<b>LIABILITIES</b>			
Accounts Payable	107,238	215,991	323,229
Salaries Payable	12,359	10,854	23,213
Accrued Interest Payable	20,802	3,927	24,729
Deposits Payable	-	16,391	16,391
Other Current Liabilities	100,146	-	100,146
Noncurrent Liabilities:			
Amount Due Within One Year	231,427	248,000	479,427
Amount Due After One Year	2,328,242	232,696	2,560,938
Net Pension Liability	526,033	242,524	768,557
<b>TOTAL LIABILITIES</b>	<b>3,326,247</b>	<b>970,383</b>	<b>4,296,630</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	866,270	167,469	1,033,739
Leases	14,683	246,863	261,546
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>880,953</b>	<b>414,332</b>	<b>1,295,285</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,684,792	4,446,282	13,131,074
Restricted for:			
Debt Service	487,985	-	487,985
Charitable Gambling Uses	64,142	-	64,142
Economic Development Loans	63,850	-	63,850
Police Forfeiture Enforcement	10,149	-	10,149
Unrestricted	1,282,114	1,748,787	3,030,901
<b>TOTAL NET POSITION</b>	<b>\$ 10,593,032</b>	<b>\$ 6,195,069</b>	<b>\$ 16,788,101</b>

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 647,152	\$ 73,612	\$ 11,107	\$ -	\$ (562,433)	\$ -	\$ (562,433)
Public Safety	1,601,657	163,585	158,912	306,331	(972,829)	-	(972,829)
Public Works	581,639	-	26,041	302,082	(253,516)	-	(253,516)
Culture and Recreation	410,444	34,935	10,000	1,100	(364,409)	-	(364,409)
Economic Development	50,874	-	-	-	(50,874)	-	(50,874)
Airport	130,262	27,470	-	47,235	(55,557)	-	(55,557)
Debt Service	77,832	-	-	-	(77,832)	-	(77,832)
<b>Total Governmental Activities</b>	<b>3,499,860</b>	<b>299,602</b>	<b>206,060</b>	<b>656,748</b>	<b>(2,337,450)</b>	<b>-</b>	<b>(2,337,450)</b>
<b>Business-Type Activities:</b>							
Water	768,043	798,468	66	461	-	30,952	30,952
Sewer	461,406	338,649	67	-	-	(122,690)	(122,690)
Liquor	2,860,824	3,005,410	141	-	-	144,727	144,727
<b>Total Business-Type Activities</b>	<b>4,090,273</b>	<b>4,142,527</b>	<b>274</b>	<b>461</b>	<b>-</b>	<b>52,989</b>	<b>52,989</b>
<b>TOTALS</b>	<b>\$ 7,590,133</b>	<b>\$ 4,442,129</b>	<b>\$ 206,334</b>	<b>\$ 657,209</b>	<b>(2,337,450)</b>	<b>52,989</b>	<b>(2,284,461)</b>
<b>General Revenues:</b>							
Taxes					1,001,731	-	1,001,731
Tax Increment					56,197	-	56,197
Franchise and Other Tax					47,565	-	47,565
Intergovernmental					1,069,007	-	1,069,007
Investment Income (Loss)					119,122	64,451	183,573
Gain (Loss) on Sale of Assets					17,999	-	17,999
Miscellaneous					54,002	7,816	61,818
<b>Total General Revenues</b>					<b>2,365,623</b>	<b>72,267</b>	<b>2,437,890</b>
Capital Asset Transfers					(462,200)	462,200	-
Transfers					762,200	(762,200)	-
<b>Total General Revenues and Transfers</b>					<b>2,665,623</b>	<b>(227,733)</b>	<b>2,437,890</b>
<b>CHANGE IN NET POSITION</b>					<b>328,173</b>	<b>(174,744)</b>	<b>153,429</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>10,264,859</b>	<b>6,369,813</b>	<b>16,634,672</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 10,593,032</b>	<b>\$ 6,195,069</b>	<b>\$ 16,788,101</b>

See accompanying notes.

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

	General Fund	Airport Road Project Fund	EDA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, Cash Equivalents, and Investments	\$ 1,627,613	\$ 57,376	\$ -	\$ 956,016	\$ 2,641,005
Property Taxes Receivable	37,313	-	-	15,965	53,278
Assessments Receivable	24,762	-	-	-	24,762
Accounts Receivable	79,652	-	-	-	79,652
Interest Receivable	12,153	-	-	-	12,153
Lease Receivables	14,973	-	-	-	14,973
Due from Other Funds	149,477	-	-	-	149,477
Prepays	64,888	-	-	-	64,888
<b>TOTAL ASSETS</b>	<u>\$ 2,010,831</u>	<u>\$ 57,376</u>	<u>\$ -</u>	<u>\$ 971,981</u>	<u>\$ 3,040,188</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 53,768	\$ 531	\$ -	\$ 52,939	\$ 107,238
Salaries Payable	12,359	-	-	-	12,359
Due to Other Funds	-	-	110,550	38,927	149,477
Other Current Liabilities	100,146	-	-	-	100,146
Total Liabilities	166,273	531	110,550	91,866	369,220
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Property Taxes	29,195	-	-	12,498	41,693
Special Assessments	1,460	-	-	-	1,460
Leases	14,683	-	-	-	14,683
Total Deferred Inflows of Resources	45,338	-	-	12,498	57,836
<b>FUND BALANCES</b>					
Nonspendable	65,178	-	-	-	65,178
Restricted	-	-	-	634,430	634,430
Assigned	-	56,845	-	322,690	379,535
Unassigned	1,734,042	-	(110,550)	(89,503)	1,533,989
Total Fund Balances	<u>1,799,220</u>	<u>56,845</u>	<u>(110,550)</u>	<u>867,617</u>	<u>2,613,132</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 2,010,831</u>	<u>\$ 57,376</u>	<u>\$ -</u>	<u>\$ 971,981</u>	<u>\$ 3,040,188</u>

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

Total Fund Balances - Governmental Funds \$ 2,613,132

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 as assets in governmental funds:

Capital Assets	\$ 22,916,469	
Accumulated Depreciation	<u>(11,803,632)</u>	
Capital Assets (Net)		11,112,837

Long-term liabilities are not due and payable in the current period and, therefore,  
are not reported as liabilities in the funds:

Debt Principal Payable	(2,274,357)	
Bond Premium, Net of Accumulated Amortization	(71,534)	
Financing Arrangements Payable	(82,154)	
Compensated Absences	<u>(131,624)</u>	
		(2,559,669)

The net pension liability and related deferred outflows/inflows represent the  
allocation of the pension obligations of the statewide plans to the City. Such  
balances are not reported in the funds:

Net Pension Asset	190,787	
Net Pension Liability	(526,033)	
Deferred Outflows - Pensions	605,897	
Deferred Inflows - Pensions	<u>(866,270)</u>	
		(595,619)

Interest on long-term debt is recognized as an expenditure when due and payable  
in the governmental funds. Therefore, interest is not accrued in the governmental  
funds Balance Sheet, but is accrued in the Statement of Net Position:

(20,802)

Other long-term assets are not available to pay for current-period expenditures and,  
therefore, are reported as unavailable in the funds:

Property Taxes		41,693
Special Assessments		<u>1,460</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,593,032**

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

	General Fund	Formerly Major Fund		EDA Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Debt Service Fund	Airport Road Project Fund			
<b>REVENUES</b>						
Taxes	\$ 714,255		\$ -	\$ -	\$ 343,173	\$ 1,057,428
Tax Increment	-		-	-	56,197	56,197
Franchise Taxes	8,478		-	-	-	8,478
Special Assessments	25,260		-	-	-	25,260
Licenses, Permits, and Fees	61,643		-	-	-	61,643
Intergovernmental	1,305,143		276,907	-	-	1,582,050
Charges for Services	222,234		-	-	-	222,234
Fines	14,000		-	-	1,725	15,725
Investment Income (Loss)	100,166		-	-	18,232	118,398
Lease Interest	724		-	-	-	724
Miscellaneous	378,332		-	10,000	1,100	389,432
<b>TOTAL REVENUES</b>	<b>2,830,235</b>		<b>276,907</b>	<b>10,000</b>	<b>420,427</b>	<b>3,537,569</b>
<b>EXPENDITURES</b>						
Current:						
General Government	616,116		-	-	2,000	618,116
Public Safety	1,282,547		-	-	716	1,283,263
Public Works	240,521		-	-	-	240,521
Parks and Recreation	173,292		-	-	19,144	192,436
Library	28,676		-	-	-	28,676
Economic Development	-		-	-	50,673	50,673
Airport	82,956		-	-	-	82,956
Capital Outlay	1,392,159		646,207	13,409	174	2,051,949
Debt Service:						
Principal	-		-	-	215,252	215,252
Interest and Other Charges	-		-	-	99,546	99,546
<b>TOTAL EXPENDITURES</b>	<b>3,816,267</b>		<b>646,207</b>	<b>13,409</b>	<b>387,505</b>	<b>4,863,388</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(986,032)</b>		<b>(369,300)</b>	<b>(3,409)</b>	<b>32,922</b>	<b>(1,325,819)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	540,686		462,200	-	77,991	1,080,877
Transfers Out	(66,491)		-	-	(252,186)	(318,677)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>474,195</b>		<b>462,200</b>	<b>-</b>	<b>(174,195)</b>	<b>762,200</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(511,837)</b>		<b>92,900</b>	<b>(3,409)</b>	<b>(141,273)</b>	<b>(563,619)</b>
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	2,311,057	\$ 666,558	(36,055)	-	235,191	3,176,751
<b>ADJUSTMENTS AND RESTATEMENTS</b>						
Adjustment - Change in Major Funds	-	(666,558)	-	(107,141)	773,699	-
<b>FUND BALANCES - BEGINNING</b> (As Adjusted)	2,311,057	-	(36,055)	(107,141)	1,008,890	3,176,751
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,799,220</b>	<b>\$ -</b>	<b>\$ 56,845</b>	<b>\$ (110,550)</b>	<b>\$ 867,617</b>	<b>\$ 2,613,132</b>

**CITY OF MILACA, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ (563,619)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized	\$ 2,013,242	
Depreciation Expense	(799,074)	
Capital Assets Transferred to Proprietary Funds	<u>(462,200)</u>	751,968

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Debt Principal Repayments	215,252	
Amortization of Bond Premium	<u>5,893</u>	221,145

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

Accrued Interest Payable		15,821
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Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	(16,610)	
Special Assessments	<u>(85)</u>	(16,695)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences		10,782
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources		<u>(91,229)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 328,173**

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

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 741,146	\$ 480,937	\$ 514,092	\$ 1,736,175
Assessments Receivable	884	-	-	884
Accounts Receivable	66,549	26,447	-	92,996
Inventory	-	-	538,843	538,843
Prepays	7,222	5,342	6,149	18,713
Lease Receivables	13,870	-	-	13,870
<b>Total Current Assets</b>	<u>829,671</u>	<u>512,726</u>	<u>1,059,084</u>	<u>2,401,481</u>
Noncurrent Assets				
Capital Assets Not Being Depreciated	16,831	7,924	54,788	79,543
Capital Assets Being Depreciated (Net)	2,853,418	1,313,199	606,122	4,772,739
Assessments Receivable	4,056	-	-	4,056
Lease Receivables	266,717	-	-	266,717
<b>Total Noncurrent Assets</b>	<u>3,141,022</u>	<u>1,321,123</u>	<u>660,910</u>	<u>5,123,055</u>
<b>TOTAL ASSETS</b>	<u>3,970,693</u>	<u>1,833,849</u>	<u>1,719,994</u>	<u>7,524,536</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	13,000	13,296	28,952	55,248
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	117,678	6,955	91,358	215,991
Salaries Payable	3,096	3,178	4,580	10,854
Deposits Payable	16,391	-	-	16,391
Accrued Interest	3,927	-	-	3,927
Bonds Due Within One Year	248,000	-	-	248,000
<b>Total Current Liabilities</b>	<u>389,092</u>	<u>10,133</u>	<u>95,938</u>	<u>495,163</u>
Noncurrent Liabilities				
Compensated Absences Due After One Year	17,237	18,301	39,158	74,696
Bonds Due After One Year	158,000	-	-	158,000
Net Pension Liability	58,161	59,431	124,932	242,524
<b>Total Noncurrent Liabilities</b>	<u>233,398</u>	<u>77,732</u>	<u>164,090</u>	<u>475,220</u>
<b>TOTAL LIABILITIES</b>	<u>622,490</u>	<u>87,865</u>	<u>260,028</u>	<u>970,383</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	40,162	41,038	86,269	167,469
Leases	246,863	-	-	246,863
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>287,025</u>	<u>41,038</u>	<u>86,269</u>	<u>414,332</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,464,249	1,321,123	660,910	4,446,282
Unrestricted	609,929	397,119	741,739	1,748,787
<b>TOTAL NET POSITION</b>	<u>\$ 3,074,178</u>	<u>\$ 1,718,242</u>	<u>\$ 1,402,649</u>	<u>\$ 6,195,069</u>

**CITY OF MILACA, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>SALES AND COST OF SALES</b>				
Sales	\$ -	\$ -	\$ 3,005,410	\$ 3,005,410
Cost of Sales	-	-	(2,189,748)	(2,189,748)
<b>GROSS PROFIT</b>	-	-	815,662	815,662
<b>OPERATING REVENUES</b>				
Charges for Services	779,106	326,649	-	1,105,755
<b>TOTAL GROSS PROFIT AND OPERATING REVENUES</b>	779,106	326,649	815,662	1,921,417
<b>OPERATING EXPENSES</b>				
Wages and Benefits	226,638	228,421	424,453	879,512
Materials and Supplies	21,111	4,510	9,069	34,690
Repairs and Maintenance	113,025	89,511	14,415	216,951
Professional Services	64,970	29,001	16,536	110,507
Insurance	10,614	9,976	10,421	31,011
Utilities	51,673	13,553	40,692	105,918
Miscellaneous	3,089	1,126	83,883	88,098
Depreciation	266,234	85,308	71,607	423,149
<b>TOTAL OPERATING EXPENSES</b>	757,354	461,406	671,076	1,889,836
<b>NET OPERATING INCOME (LOSS)</b>	21,752	(134,757)	144,586	31,581
<b>NONOPERATING INCOME (EXPENSE)</b>				
Special Assessments	461	-	-	461
Connection Fees	-	12,000	-	12,000
Investment Income	21,060	21,012	13,092	55,164
Lease Interest	9,287	-	-	9,287
Miscellaneous	27,244	67	141	27,452
Capital Contribution From Governmental Activities	152,000	310,200	-	462,200
Interest and Other Charges	(10,689)	-	-	(10,689)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	199,363	343,279	13,233	555,875
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	221,115	208,522	157,819	587,456
<b>TRANSFERS</b>				
Operating Transfers Out	(152,000)	(310,200)	(300,000)	(762,200)
<b>CHANGE IN NET POSITION</b>	69,115	(101,678)	(142,181)	(174,744)
<b>NET POSITION - BEGINNING OF YEAR</b>	3,005,063	1,819,920	1,544,830	6,369,813
<b>NET POSITION - END OF YEAR</b>	\$ 3,074,178	\$ 1,718,242	\$ 1,402,649	\$ 6,195,069

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

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 763,925	\$ 329,375	\$ 3,005,535	\$ 4,098,835
Cash Paid to Suppliers	(215,268)	(142,634)	(2,342,914)	(2,700,816)
Cash Paid to Employees	(244,892)	(245,885)	(443,220)	(933,997)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	303,765	(59,144)	219,401	464,022
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes and Intergovernmental	1,343	-	-	1,343
Other Receipts from Customers	29,944	12,067	141	42,152
Net Operating Subsidies and Transfers from (to) Other Funds	(152,000)	(310,200)	(300,000)	(762,200)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(120,713)	(298,133)	(299,859)	(718,705)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of Capital Assets	(16,831)	(66,144)	(13,116)	(96,091)
Payments on Bond Principal	(244,000)	-	-	(244,000)
Cash Paid for Interest	(12,439)	-	-	(12,439)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(273,270)	(66,144)	(13,116)	(352,530)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	21,060	21,012	13,092	55,164
Net Change in Cash and Cash Equivalents	(69,158)	(402,409)	(80,482)	(552,049)
Cash and Cash Equivalents - Beginning of Year	810,304	883,346	594,574	2,288,224
Cash and Cash Equivalents - End of Year	<u>\$ 741,146</u>	<u>\$ 480,937</u>	<u>\$ 514,092</u>	<u>\$ 1,736,175</u>

**CITY OF MILACA, MINNESOTA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net Operating Income (Loss)	\$ 21,752	\$ (134,757)	\$ 144,586	\$ 31,581
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	266,234	85,308	71,607	423,149
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(14,536)	2,726	125	(11,685)
Inventory	-	-	6,250	6,250
Prepays	(4,052)	(478)	215	(4,315)
Accounts Payable	53,266	5,521	15,385	74,172
Salaries Payable	(3,944)	(4,008)	(10,548)	(18,500)
Deposits Payable	(645)	-	-	(645)
Net Pension Liability	(11,454)	(11,634)	(14,836)	(37,924)
Deferred Outflows or Resources - Pensions	3,330	3,381	4,629	11,340
Deferred Inflows or Resources - Pensions	(5,763)	(5,844)	(5,936)	(17,543)
Compensated Absences	(423)	641	7,924	8,142
	<u>\$ 303,765</u>	<u>\$ (59,144)</u>	<u>\$ 219,401</u>	<u>\$ 464,022</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Change in Capital Assets Due To				
Changes in Related Payables	<u>\$ 56,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,525</u>
Capital Assets Transferred from				
Governmental Activities	<u>\$ 152,000</u>	<u>\$ 310,200</u>	<u>\$ -</u>	<u>\$ 462,200</u>

**CITY OF MILACA, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2025**

	Custodial Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 254,648
Accounts Receivable	619
Prepays	1,247
<b>TOTAL ASSETS</b>	256,514
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	13,744
<b>LIABILITIES</b>	
Accounts Payable	1,244
Accrued Salaries	2,400
Noncurrent Liabilities:	
Compensated Absences	10,752
Net Pension Liability	59,420
<b>TOTAL LIABILITIES</b>	73,816
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	41,031
<b>FIDUCIARY NET POSITION</b>	
Fiduciary Net Position - Held for Others	\$ 155,411

**CITY OF MILACA, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Licenses and Permits	\$ 4,670,799
Intergovernmental	67
Interest Earnings	224
<b>TOTAL ADDITIONS</b>	4,671,090
<b>DEDUCTIONS</b>	
Wages and Benefits	192,849
Materials and Supplies	4,895
Repairs and Maintenance	1,256
State Remittances	4,379,218
Equipment and Rent	6,000
Insurance	1,490
Utilities	899
Other Services and Charges	9,968
<b>TOTAL DEDUCTIONS</b>	4,596,575
<b>CHANGE IN FIDUCIARY NET POSITION</b>	74,515
<b>FIDUCIARY NET POSITION - BEGINNING OF YEAR</b>	80,896
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	\$ 155,411

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Milaca (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitation, utilities, liquor, recreation, public improvements, public safety, airport, planning and zoning, and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Milaca.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Milaca

The Authority was established pursuant to the provisions of Minnesota Statutes Section 469.090 to 469.108 to promote and provide incentives for economic development, and to preserve and create jobs, enhance the City's tax base and promote the general welfare of the people. The EDA is governed by a board of commissioners consisting of five members, all of whom shall be members of the City Council.

The financial activity of the Authority is performed by the City of Milaca and treated as routine City business.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City does not have any discretely presented component units.

**Affiliated Organizations**

The Fire Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Airport Road Project Fund* accounts for the expenditures incurred for the completion of the Airport Road project, including the related grant reimbursements and any other financial resources to be applied to the project.

The *EDA Fund* is used to account for the proceeds of specific revenue sources that are either legally restricted, or have been set aside for, economic development expenditures.

The City reports the following major proprietary funds:

*Enterprise Funds* are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains Water, Sewer, and Liquor Enterprise Funds.

The City reports the following nonmajor fund types:

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of various other capital projects (other than those financed by proprietary funds).

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness. These funds also account for the activity of the tax increment financing districts established by the City.

Additionally, the City reports a custodial fund. This fund is used to account for the financial activity of assets that are being held in a fiduciary capacity on behalf of the State of Minnesota, for the operation of a Motor Vehicle/Driver's License Department.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

Changes in the Financial Reporting Entity

The following fund was reported as a major fund in the prior year, but shifted to nonmajor fund presentation during the year ended December 31, 2025:

- Debt Service Fund

Additionally, the following fund was reported as a nonmajor fund in the prior year, but shifted to major fund presentation during the year ended December 31, 2025:

- EDA Fund

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the “economic resources” measurement focus as defined in the second bullet point below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the “accrual basis” of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the “modified accrual” basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. The City of Milaca's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. 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.

**1.E. USE OF ESTIMATES**

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

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Cash and Cash Equivalents**

For purposes of the Statement of Net Position, "cash, cash equivalents, and investments" includes all demand, savings, brokered certificates of deposit, and money market savings accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand, savings, and money market savings accounts.

**Investments**

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

**Prepays**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**Inventory**

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the average cost method.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**Leases Receivable**

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets are defined by the City based on each individual asset’s initial cost and must have an estimated useful life in excess of two years. The City’s cost thresholds for capitalization of acquisitions within various categories are as follows:

Land and Improvements	\$12,500
Buildings and Improvements	\$25,000
Infrastructure	\$50,000
Vehicles, Machinery, and Equipment	\$5,000

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	7-40 years
Infrastructure	10-50 years
Vehicles, Machinery, and Equipment	3-20 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences**

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid) during or upon separation from employment. Based on the criteria, vacation, sick leave, and comp time balances accumulated by City employees qualify for liability recognition as compensated absences. The liability for compensated absences is reported as incurred in the proprietary fund and government-wide financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

**Long-Term Debt**

The accounting treatment of long-term debt and other long-term obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Net Pension Asset/Liability**

The net pension asset represents the City's allocation of its pro-rata share of the Statewide Volunteer Firefighter Fund net pension asset. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

PERA

For purposes of measuring the net pension asset and liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. As previously discussed, the City reports deferred inflows of resources in both the governmental fund Balance Sheet and both Statements of Net Position in relation to its leasing activities. The City also reports property taxes, special assessments, and occasionally other receivables as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City's policy to consider restricted net position to its depletion before unrestricted net position is applied.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2025 consist of prepaid expenditures and net leases receivable.

Restricted – The portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council has formally delegated the authority to assign fund balances to the City Manager.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance of five months of budgeted operating expenditures.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described previously.

**1.G. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax**

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Mille Lacs County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 30<sup>th</sup> is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

**Special Assessments**

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 (and often do) prepay future installments without interest or prepayment penalties.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the governmental fund financial statements, the 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 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 completely offset by deferred inflows of resources.

**Program Revenues**

Program revenues reported in the government-wide financial statements include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related to financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.G. REVENUES, EXPENDITURES, AND EXPENSES (Continued)**

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

**NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

**2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws. Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2025, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance and collateral held by the City’s agent in the City’s name.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.   CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment balances at December 31, 2025 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1 - 5	6 - 10
Money Market Funds	N/A	N/A	\$ 1,073,489	\$ 1,073,489	\$ -	\$ -
Brokered Certificates of Deposit	NR	Level 2	3,168,847	654,326	2,045,740	468,781
Totals			<u>\$ 4,242,336</u>	<u>\$ 1,727,815</u>	<u>\$ 2,045,740</u>	<u>\$ 468,781</u>

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- Concentration of Credit Risk is the risk associated with the magnitude of the City’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At December 31, 2025, the City is not exposed to a significant concentration of credit risk.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

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

The City has formally adopted an Investment Policy, to ensure compliance with Minnesota Statutes and to address each of the risks above to the extent deemed necessary by the City’s Council.

**Deposits and Investments Summary**

A reconciliation of cash and investments as shown on the Statements of Net Position for the City follows:

Carrying Amount of Deposits	\$	389,492
Investments		<u>4,242,336</u>
 Total	 \$	 <u><u>4,631,828</u></u>
 <i>Government-wide</i>		
Cash, Cash Equivalents, and Investments	\$	4,377,180
Fiduciary - Custodial Funds Cash and Cash Equivalents		<u>254,648</u>
 Total	 \$	 <u><u>4,631,828</u></u>

**2.B.    LEASE RECEIVABLES**

The City has executed various agreements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below.

*Governmental Activities:*

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Deputy Registrar Office Space	\$ 4,582	\$2,400	4.50%	6/30/2027	\$ 3,475
Ambulance Building Space	16,871	\$6,000	4.50%	12/31/2027	<u>11,498</u>
<b>Total Governmental Activities Lease Receivables</b>					<u><u>\$ 14,973</u></u>

*Business-Type Activities:*

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Telecom Site Property	\$ 324,311	\$18,841 - \$31,456	3.25%	9/30/2038	<u><u>\$ 280,587</u></u>

During the year ended December 31, 2025, the City recognized revenues from leasing activities under the arrangements above within governmental activities and business-type activities in the amount of \$8,634 and \$28,649, respectively.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    CAPITAL ASSETS**

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

	Balance at 1/1/2025	Additions	Disposals	Transfers	Balance at 12/31/2025
<i>Governmental Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 463,113	\$ -	\$ -	\$ -	\$ 463,113
Construction In Progress	1,289,782	1,900,048	-	(3,165,915)	23,915
Total Capital Assets not Being Depreciated	1,752,895	1,900,048	-	(3,165,915)	487,028
Capital Assets Being Depreciated					
Buildings and Improvements	5,429,147	10,600	-	43,318	5,483,065
Infrastructure	10,285,850	13,256	-	1,717,382	12,016,488
Equipment, Machinery and Furnishings	4,121,120	89,338	(223,585)	943,015	4,929,888
Total Capital Assets Being Depreciated	19,836,117	113,194	(223,585)	2,703,715	22,429,441
Less: Accumulated Depreciation					
Buildings and Improvements	(2,783,122)	(143,792)	-	-	(2,926,914)
Infrastructure	(5,733,413)	(422,984)	-	-	(6,156,397)
Equipment, Machinery and Furnishings	(2,711,608)	(232,298)	223,585	-	(2,720,321)
Total Accumulated Depreciation	(11,228,143)	(799,074)	223,585	-	(11,803,632)
Total Capital Assets Being Depreciated, Net	8,607,974	(685,880)	-	2,703,715	10,625,809
Capital Assets, Net	<u>\$ 10,360,869</u>	<u>\$ 1,214,168</u>	<u>\$ -</u>	<u>\$ (462,200)</u>	<u>\$ 11,112,837</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 50,615
Public Safety	194,845
Public Works	303,288
Culture and Recreation	206,634
Airport	43,692
Total Depreciation Expense	<u>\$ 799,074</u>

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    CAPITAL ASSETS (Continued)**

	Balance at 1/1/2025	Additions	Disposals	Transfers	Balance at 12/31/2025
<i>Business-Type Activities:</i>					
Capital Assets not Being Depreciated					
Land	\$ 54,788	\$ -	\$ -	\$ -	\$ 54,788
Construction In Progress	-	24,755	-	-	24,755
Total Capital Assets not Being Depreciated	54,788	24,755	-	-	79,543
Capital Assets Being Depreciated					
Buildings and Improvements	5,016,483	-	-	-	5,016,483
Infrastructure	5,513,286	13,116	-	462,200	5,988,602
Equipment, Machinery and Furnishings	1,580,474	114,745	-	-	1,695,219
Total Capital Assets Being Depreciated	12,110,243	127,861	-	462,200	12,700,304
Less: Accumulated Depreciation					
Buildings and Improvements	(2,779,785)	(120,600)	-	-	(2,900,385)
Infrastructure	(3,875,445)	(147,028)	-	-	(4,022,473)
Equipment, Machinery and Furnishings	(849,186)	(155,521)	-	-	(1,004,707)
Total Accumulated Depreciation	(7,504,416)	(423,149)	-	-	(7,927,565)
Total Capital Assets Being Depreciated, Net	4,605,827	(295,288)	-	462,200	4,772,739
Capital Assets, Net	\$ 4,660,615	\$ (270,533)	\$ -	\$ 462,200	\$ 4,852,282

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES**

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All debt set forth below are direct obligations of the City and pledge the full faith and credit of the City.

**Debt Detail**

As of December 31, 2025, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

General Obligation Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
03/15	\$ 475,000	\$25,000 - \$40,000	2.00 - 3.40%	12/30	\$ 190,000
07/19	545,000	\$45,000 - \$55,000	2.10 - 3.00%	02/31	315,000
08/21	715,000	\$40,000 - \$55,000	0.85 - 2.00%	02/37	585,000
06/22	570,000	\$30,000 - \$50,000	3.35 - 4.00%	02/37	475,000
06/24	600,000	\$15,000 - \$55,000	5.00%	12/39	585,000
07/24	137,500	\$13,143 - \$14,374	1.00%	07/34	124,357
Total Governmental Activities Bonds Payable					\$ 2,274,357

Financing Arrangement					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
01/20	\$ 223,016	\$15,000 - \$54,001	3.85%	01/27	\$ 82,154

At December 31, 2025, the asset acquired via the financing arrangement above has an original cost of \$266,756 and accumulated depreciation of \$78,915, for a net carry value of \$187,841. This asset serves as collateral under the financing arrangement.

Business-Type Activities

General Obligation Revenue Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/06	\$ 3,060,114	\$70,000 - \$173,000	1.07%	08/26	\$ 173,000
10/22	373,000	\$67,000 - \$80,000	3.25%	02/28	233,000
Total Business-Type Activities Bonds Payable					\$ 406,000

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2025:

Type of Debt	Balance 01/01/25	Additions	Deductions	Balance 12/31/25	Amounts Due Within One Year
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 2,462,500	\$ -	\$ (188,143)	\$ 2,274,357	\$ 203,274
Unamortized Bond Premium	77,427	-	(5,893)	71,534	-
Financing Arrangement	109,263	-	(27,109)	82,154	28,153
Compensated Absences	<u>142,406</u>	<u>-</u>	<u>(10,782)</u>	<u>131,624</u>	<u>-</u>
Total	<u>\$ 2,791,596</u>	<u>\$ -</u>	<u>\$ (231,927)</u>	<u>\$ 2,559,669</u>	<u>\$ 231,427</u>
<i>Business-Type Activities:</i>					
G.O. Revenues Bonds	\$ 650,000	\$ -	\$ (244,000)	\$ 406,000	\$ 248,000
Compensated Absences	<u>66,554</u>	<u>8,142</u>	<u>-</u>	<u>74,696</u>	<u>-</u>
Total	<u>\$ 716,554</u>	<u>\$ 8,142</u>	<u>\$ (244,000)</u>	<u>\$ 480,696</u>	<u>\$ 248,000</u>

Governmental activity debt is typically funded through Debt Service Funds. Business-Type activity debt is typically funded through the Water Fund. The change in compensated absences above has been presented on a net basis.

**Annual Debt Service Requirements**

At December 31, 2025, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2026	\$ 203,274	\$ 73,005	\$ 276,279
2027	208,407	67,436	275,843
2028	218,541	61,557	280,098
2029	223,676	54,922	278,598
2030	223,813	47,842	271,655
2031-2035	781,646	151,098	932,744
2036-2039	<u>415,000</u>	<u>32,850</u>	<u>447,850</u>
Totals	<u>\$ 2,274,357</u>	<u>\$ 488,710</u>	<u>\$ 2,763,067</u>

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

Years Ending December 31,	Governmental Activities		
	Financing Arrangement		
	Principal	Interest	Total
2026	\$ 28,153	\$ 3,163	\$ 31,316
2027	54,001	2,079	56,080
Totals	<u>\$ 82,154</u>	<u>\$ 5,242</u>	<u>\$ 87,396</u>

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
	2026	\$ 248,000	\$ 8,205
2027	78,000	3,867	81,867
2028	80,000	1,300	81,300
Totals	<u>\$ 406,000</u>	<u>\$ 13,372</u>	<u>\$ 419,372</u>

Interest expense totals \$91,058 in the Statement of Activities (included in the Debt Service and Water lines). Interest expenditures total \$96,190 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$10,689 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

**2.E.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2025:

Major Funds	Transfers Out	Transfers In				Total
		Major Funds		Nonmajor Funds		
		General	Airport Road Project Fund	Governmental		
General	\$ 66,491	\$ -	\$ -	\$ 66,491	\$ 66,491	
Water	152,000	-	152,000	-	152,000	
Sewer	310,200	-	310,200	-	310,200	
Liquor	300,000	300,000	-	-	300,000	
	828,691	300,000	462,200	66,491	828,691	
<b>Nonmajor Funds</b>						
Governmental	252,186	240,686	-	11,500	252,186	
<b>Total</b>	<u>\$ 1,080,877</u>	<u>\$ 540,686</u>	<u>\$ 462,200</u>	<u>\$ 77,991</u>	<u>\$ 1,080,877</u>	

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.E.    INTERFUND TRANSACTIONS AND BALANCES (Continued)**

Interfund balances consist of the following at December 31, 2025.

Short-Term Balances			
Due To Fund	Due From Fund	Amount	Purpose
General	TIF District No. 2-10	\$ 499	Eliminate deficit cash balance at year-end.
General	TIF District No. 4-10	38,428	Eliminate deficit cash balance at year-end.
General	EDA Fund	<u>110,550</u>	Eliminate deficit cash balance at year-end.
Total Interfund Balances		149,477	
Governmental Fund Elimination		<u>(149,477)</u>	
Total Government-Wide Internal Balances		<u>\$ -</u>	

Interfund balances will be repaid as cashflows become available from future grant revenues, property taxes, or tax increment dollars.

**2.F.    FUND EQUITY**

At December 31, 2025, governmental fund equity consists of the following:

	Nonspendable	Restricted	Assigned	Unassigned
<b>General Fund</b>				
Nonspendable - Prepays	\$ 64,888	\$ -	\$ -	\$ -
Nonspendable - Lease Receivables (Net)	290	-	-	-
Unassigned	-	-	-	1,734,042
<b>Total General Fund Balance</b>	<u>\$ 65,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,734,042</u>
<b>EDA Fund</b>				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,550)</u>
<b>Airport Road Project Fund</b>				
Assigned for the Airport Road Project	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,845</u>	<u>\$ -</u>
<b>Nonmajor Governmental Funds</b>				
Restricted for Allowable Charitable Gambling Uses	\$ -	\$ 64,142	\$ -	\$ -
Restricted for Economic Development Loans	-	63,850	-	-
Restricted for Police Forfeiture Enforcement	-	10,149	-	-
Restricted for Debt Service	-	496,289	-	-
Assigned for Park Improvements	-	-	299,544	-
Assigned for Veterans Memorial	-	-	3,120	-
Assigned for Youth Safety	-	-	2,184	-
Assigned for City Events	-	-	17,842	-
Unassigned	-	-	-	(89,503)
<b>Total Nonmajor Governmental Funds Balance</b>	<u>\$ -</u>	<u>\$ 634,430</u>	<u>\$ 322,690</u>	<u>\$ (89,503)</u>

**CITY OF MILACA, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2025**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F.    FUND EQUITY (Continued)**

Additionally, nonmajor funds with deficit fund balances at December 31, 2025 are as follows:

Fund	Fund Deficit
Nonmajor Governmental Funds	
TIF District No. 4-10 Fund	\$       89,004
TIF District No. 2-10 Fund	\$            499

Fund deficits will be financed via future tax collections or transfers from other funds.

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to *Minnesota Statutes* chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

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

Public Employees Police and Fire Retirement Plan (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 & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity’s governing body. The resolution must state that the position meets plan requirements.

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but 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.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

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 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living-adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of 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.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of 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.

**Contributions**

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025 were \$81,150. The City's contributions were equal to the required contributions as set by State Statute.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2025 were \$88,203. The City’s contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$433,719 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 \$10,463.

City’s proportionate share of the net pension liability:	\$433,719
State of Minnesota’s proportionate share of the net pension liability associated with the City	10,463
Total	\$444,182

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 proportionate share was 0.0131 percent at the end of the measurement period and 0.0137 percent for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$6,644 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$2,094 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.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 41,324	\$ -
Changes in actuarial assumptions	10,450	99,797
Difference between projected and actual investment earnings	-	172,581
Changes in proportionate share	8,462	27,115
Contributions paid to PERA subsequent to the measurement date	38,347	-
Total Deferred Outflows/Inflows	\$ 98,583	\$ 299,493

The \$38,347 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2026	\$ (49,506)
2027	\$ (90,932)
2028	\$ (67,989)
2029	\$ (30,830)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$394,259 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0336 percent at the end of the measurement period and 0.0354 percent 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, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$13,667.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

City’s proportionate share of the net pension liability:	\$ 394,259
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>13,667</u>
Total	<u>\$ 407,926</u>

For the year ended December 31, 2025, the City recognized pension expense of \$84,864 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$3,028 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$8,984 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 economic experience	\$ 182,160	\$ -
Changes in actuarial assumptions	298,975	493,990
Difference between projected and actual investment earnings	-	175,963
Changes in proportionate share	23,542	57,957
Contributions paid to PERA subsequent to the measurement date	<u>37,742</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 542,419</u>	<u>\$ 727,910</u>

The \$37,742 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 ended December 31,	Pension Expense
2026	\$ 82,508
2027	\$ (87,778)
2028	\$ (201,562)
2029	\$ (21,586)
2030	\$ 5,185

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2025, including amortization of deferral balances, was negative \$76,865.

**Long-Term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

**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 7.0 percent. The 7.0 percent 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 7.0 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.50 percent for the General Employees Plan and 1.0 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 10.75 percent after one year of service to 3.0 percent after 23 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 3    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

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 percent to 19 percent for vested terminated members and from 3 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increase 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 use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- 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 percent to 13 percent for vested, terminated members and from 2 percent to 38 percent 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 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100 percent funded for a minimum of three consecutive years to 110 percent 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.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability at Current Single Discount Rate					
	General Employees Fund			Police and Fire Fund	
1% Increase in Discount Rate	8.00%	\$	(69,010)	8.00%	\$ (130,283)
Current Discount Rate	7.00%	\$	433,719	7.00%	\$ 394,258
1% Decrease in Discount Rate	6.00%	\$	1,053,436	6.00%	\$ 1,033,042

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN**

**Plan Description**

The Milaca Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2024, the plan covered 24 active firefighters and 10 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

**Benefits Provided**

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with either five or ten years of service, depending on the vesting schedule selected. Plan provisions include a pro-rated vesting schedule that increases from either: (1) 5 years at 40 percent through 20 years at 100 percent, (2) 5 years at 40 percent through 10 years at 100 percent, (3) 10 years at 40 percent through 20 years at 100 percent.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)**

**Contributions**

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. The State of Minnesota contributed \$73,950 in fire state aid to the plan for the year (measurement period) ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contributions to the Volunteer Firefighter Plan for the year ended December 31, 2025 were \$0.

**Pension Costs**

At December 31, 2025, the City reported a net pension asset of \$190,787 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department.

The following table presents the changes in net pension asset during the measurement period.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance Beginning of Period - 12/31/23	\$ 565,622	\$ 901,440	\$ (335,818)
Service Cost	48,217	-	48,217
Interest on Pension Liability	35,744	-	35,744
Actuarial Experience (Gains)/Losses	31,630	-	31,630
Projected Investment Earnings	-	55,188	(55,188)
Contributions (State)	-	75,950	(75,950)
Changes in Benefit Level	193,828	-	193,828
Asset (Gain)/Loss	-	36,280	(36,280)
Benefit Payments	(36,200)	(36,200)	-
Administrative Fees	-	(3,030)	3,030
Net Changes	<u>273,219</u>	<u>128,188</u>	<u>145,031</u>
Balance End of Period - 12/31/24	<u>\$ 838,841</u>	<u>\$ 1,029,628</u>	<u>\$ (190,787)</u>

For the year ended December 31, 2025, the City recognized pension expense of \$121,766.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions Difference between projected and actual investment earnings	\$ 28,994	\$ 47,367
	<u>4,893</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 33,887</u>	<u>\$ 47,367</u>

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)**

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

Year ended December 31,	Pension Expense
2026	\$ 3,869
2027	\$ 12,816
2028	\$ (22,768)
2029	\$ (7,653)
2030	\$ (397)
Thereafter	\$ 653

**Actuarial Assumptions**

The total pension asset at the December 31, 2024 measurement date was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or when fully vested
- Investment rate of return of 6.00 percent

**Discount Rate**

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made at a rate equal to the actuarially determined contribution rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

The following presents the City’s net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City’s net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net Pension Asset	\$ 151,923	\$ 190,787	\$ 227,963

**Plan Investments**

Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)**

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year

The SBI made no significant changes to their investment policy during calendar year 2024 for the Volunteer Firefighter Fund.

**Pension Plan Fiduciary Net Position**

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of December 31, 2024 is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 5 OTHER NOTES**

**5.A. RISK MANAGEMENT**

**Claims and Judgements**

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. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City’s management is not aware of any incurred but unreported claims.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 5    OTHER NOTES (Continued)**

**5.B.    TAX INCREMENT FINANCING DISTRICT**

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

During the year ended December 31, 2025, the taxes abated under the City’s TIF programs totaled \$50,576. The total outstanding balance of pay-as-you-go debt being financed via these tax increment payments approximates \$78,584 as of December 31, 2025. No other commitments were made by the City as part of these agreements.

**5.C.    DEFINED CONTRIBUTION PLAN**

The City provides eligible employees future retirement benefits through a voluntary retirement savings plan (the Plan) authorized under Section 457 of the internal revenue code. The City has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The City Council acts as the plan administrator, but the City is not involved with the investment decisions for plan assets. Eligible employees of the City may begin participating in the Plan commencing on the date of their employment by electing to have a percentage of their pay contributed to the Plan. The City does not make employer contributions.

**5.D.    CONDUIT DEBT OBLIGATIONS**

The City has issued Minnesota Revenue Bonds, Series 2013, 2016, 2019, and 2020, to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property of the private-sector entities and are payable solely from the revenues of the private-sector entities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entities secured by the bond issuances. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2025, such notes are outstanding with an aggregate principal amount payable of approximately \$12,897,076.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MILACA, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget Amounts		Actual Amounts Budgetary	Variance with Budget Over (Under)
	Original	Final	Basis	(Under)
<b>REVENUES</b>				
<b>Taxes</b>				
Property Taxes	\$ 713,470	\$ 713,470	\$ 713,782	\$ 312
Franchise Taxes	8,825	8,825	8,478	(347)
Hotel/Motel Taxes	500	500	473	(27)
<b>Total Taxes</b>	<u>722,795</u>	<u>722,795</u>	<u>722,733</u>	<u>(62)</u>
<b>Special Assessments</b>	3,275	3,275	25,260	21,985
<b>Licenses and Permits</b>	68,800	68,800	61,643	(7,157)
<b>Intergovernmental Revenue</b>				
State Revenue				
Local Government Aid	1,060,753	1,060,753	1,049,646	(11,107)
Market Value Credit	500	500	586	86
Transportation	53,610	53,610	26,041	(27,569)
Police and Fire Aid	68,000	68,000	167,228	99,228
Other State Grants and Aids	104,000	104,000	61,642	(42,358)
<b>Total Intergovernmental Revenue</b>	<u>1,286,863</u>	<u>1,286,863</u>	<u>1,305,143</u>	<u>18,280</u>
<b>Charges for Services</b>				
General Government	12,710	12,710	11,969	(741)
Police and Fire Contracts	182,462	182,462	147,860	(34,602)
Streets and Highways	3,000	3,000	-	(3,000)
Parks and Recreation	33,000	33,000	34,935	1,935
Airports	33,000	33,000	27,470	(5,530)
<b>Total Charges for Services</b>	<u>264,172</u>	<u>264,172</u>	<u>222,234</u>	<u>(41,938)</u>
<b>Fines and Forfeitures</b>	15,500	15,500	14,000	(1,500)
<b>Miscellaneous Revenue</b>				
Investment Earnings	105,125	105,125	100,890	(4,235)
Sale of Assets	-	-	17,999	17,999
Refunds and Reimbursements	25,000	25,000	3,407	(21,593)
Contributions and Donations	120,000	120,000	327,106	207,106
Other Miscellaneous	241,000	241,000	29,820	(211,180)
<b>Total Miscellaneous Revenue</b>	<u>491,125</u>	<u>491,125</u>	<u>479,222</u>	<u>(11,903)</u>
<b>TOTAL REVENUES</b>	<u>2,852,530</u>	<u>2,852,530</u>	<u>2,830,235</u>	<u>(22,295)</u>

**CITY OF MILACA, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget Amounts		Actual Amounts	Variance with Budget
	Original	Final	Budgetary Basis	Over Under
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council	19,900	19,900	18,485	(1,415)
Administration and Finance	180,821	180,821	174,143	(6,678)
Other General Government	472,950	472,950	423,488	(49,462)
Capital Outlay	59,000	59,000	25,343	(33,657)
<b>Total General Government</b>	<u>732,671</u>	<u>732,671</u>	<u>641,459</u>	<u>(91,212)</u>
<b>Public Safety</b>				
Police				
Current	1,013,962	1,013,962	913,146	(100,816)
Capital Outlay	15,500	15,500	13,265	(2,235)
Fire				
Current	210,690	210,690	333,929	123,239
Capital Outlay	-	748,141	949,682	201,541
Other Public Safety				
Current	48,400	48,400	35,472	(12,928)
<b>Total Public Safety</b>	<u>1,288,552</u>	<u>2,036,693</u>	<u>2,245,494</u>	<u>208,801</u>
<b>Public Works</b>				
Street Maintenance and Storm Sewers	266,452	266,452	196,424	(70,028)
Snow and Ice Removal	5,000	5,000	-	(5,000)
Street Engineering	6,781	6,781	4,581	(2,200)
Street Lighting	40,000	40,000	39,516	(484)
Capital Outlay - Street Construction	408,610	408,610	314,329	(94,281)
Capital Outlay - Other	18,000	18,000	16,145	(1,855)
<b>Total Public Works</b>	<u>744,843</u>	<u>744,843</u>	<u>570,995</u>	<u>(173,848)</u>
<b>Culture and Recreation</b>				
Libraries				
Current	27,200	27,200	28,676	1,476
Capital Outlay	-	-	1,000	1,000
Parks and Recreation				
Current	195,893	195,893	173,292	(22,601)
Capital Outlay	-	23,308	41,096	17,788
<b>Total Culture and Recreation</b>	<u>223,093</u>	<u>246,401</u>	<u>244,064</u>	<u>(2,337)</u>
<b>Miscellaneous Expenditures</b>				
Airports				
Current	112,055	112,055	82,956	(29,099)
Capital Outlay	15,000	15,000	31,299	16,299
<b>Total Miscellaneous Expenditures</b>	<u>127,055</u>	<u>127,055</u>	<u>114,255</u>	<u>(12,800)</u>
<b>TOTAL EXPENDITURES</b>	<u>3,116,214</u>	<u>3,887,663</u>	<u>3,816,267</u>	<u>(71,396)</u>

**CITY OF MILACA, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget Amounts		Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	Original	Final		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(263,684)	(1,035,133)	(986,032)	49,101
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers				
From Other Funds	308,000	308,000	540,686	232,686
To Other Funds	(31,316)	(31,316)	(66,491)	(35,175)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>276,684</u>	<u>276,684</u>	<u>474,195</u>	<u>197,511</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 13,000</u>	<u>\$ (758,449)</u>	(511,837)	<u>\$ 246,612</u>
<b>FUND BALANCES - BEGINNING</b>			<u>2,311,057</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 1,799,220</u>	

**CITY OF MILACA, MINNESOTA  
SCHEDULE OF CITY'S PROPORTIONATE  
SHARE OF NET PENSION LIABILITY  
LAST TEN YEARS**

For the Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>General Employees Retirement Pension Plan</i></b>							
2025	0.0131%	\$ 433,719	\$ 10,463	\$ 444,182	\$ 1,124,947	39.5%	90.8%
2024	0.0137%	\$ 505,537	\$ 13,072	\$ 518,609	\$ 1,101,587	47.1%	89.1%
2023	0.0137%	\$ 766,089	\$ 21,152	\$ 787,241	\$ 1,047,347	75.2%	83.1%
2022	0.0132%	\$ 1,045,444	\$ 30,453	\$ 1,075,897	\$ 983,987	109.3%	76.7%
2021	0.0124%	\$ 529,536	\$ 16,198	\$ 545,734	\$ 893,000	61.1%	79.1%
2020	0.0134%	\$ 803,391	\$ 24,750	\$ 828,141	\$ 955,427	86.7%	79.1%
2019	0.0132%	\$ 729,798	\$ 22,666	\$ 752,464	\$ 938,171	80.2%	80.2%
2018	0.0120%	\$ 655,771	\$ -	\$ 655,771	\$ 842,071	77.9%	79.5%
2017	0.0117%	\$ 746,920	\$ -	\$ 746,920	\$ 773,727	96.5%	75.9%
2016	0.0123%	\$ 998,699	\$ -	\$ 998,699	\$ 748,344	133.5%	68.9%
<b><i>Public Employees Police and Fire Pension Plan</i></b>							
2025	0.0336%	\$ 394,258	\$ 13,667	\$ 407,925	\$ 539,994	75.5%	91.8%
2024	0.0354%	\$ 466,251	\$ 17,773	\$ 484,024	\$ 513,944	94.2%	90.2%
2023	0.0374%	\$ 645,849	\$ 26,011	\$ 671,860	\$ 509,169	132.0%	86.5%
2022	0.0365%	\$ 1,588,336	\$ 69,397	\$ 1,657,733	\$ 443,734	373.6%	70.5%
2021	0.0328%	\$ 253,181	\$ 11,391	\$ 264,572	\$ 387,836	68.2%	87.2%
2020	0.0363%	\$ 478,473	\$ 11,286	\$ 489,759	\$ 409,633	119.6%	87.2%
2019	0.0371%	\$ 394,967	\$ -	\$ 394,967	\$ 391,312	100.9%	89.3%
2018	0.0340%	\$ 362,405	\$ -	\$ 362,405	\$ 367,843	98.5%	78.5%
2017	0.0320%	\$ 432,038	\$ -	\$ 432,038	\$ 342,568	126.1%	75.9%
2016	0.0350%	\$ 1,404,611	\$ -	\$ 1,404,611	\$ 334,240	420.2%	63.8%

**CITY OF MILACA, MINNESOTA**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Fiscal Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2025	\$ 81,150	\$ 81,150	\$ -	\$ 1,082,000	7.50%
2024	\$ 83,671	\$ 83,671	\$ -	\$ 1,115,613	7.50%
2023	\$ 80,016	\$ 80,016	\$ -	\$ 1,066,880	7.50%
2022	\$ 77,693	\$ 77,693	\$ -	\$ 1,035,907	7.50%
2021	\$ 67,181	\$ 67,181	\$ -	\$ 895,747	7.50%
2020	\$ 69,896	\$ 69,896	\$ -	\$ 931,947	7.50%
2019	\$ 75,279	\$ 75,279	\$ -	\$ 1,003,718	7.50%
2018	\$ 63,155	\$ 63,155	\$ -	\$ 842,718	7.49%
2017	\$ 58,030	\$ 58,030	\$ -	\$ 773,727	7.50%
2016	\$ 56,126	\$ 56,126	\$ -	\$ 748,334	7.50%
<b><i>Public Employees Police and Fire Pension Plan</i></b>					
2025	\$ 88,203	\$ 88,203	\$ -	\$ 498,322	17.70%
2024	\$ 86,289	\$ 86,289	\$ -	\$ 487,508	17.70%
2023	\$ 94,965	\$ 94,965	\$ -	\$ 536,525	17.70%
2022	\$ 85,384	\$ 85,384	\$ -	\$ 482,395	17.70%
2021	\$ 69,066	\$ 69,066	\$ -	\$ 390,203	17.70%
2020	\$ 75,386	\$ 75,386	\$ -	\$ 425,910	17.70%
2019	\$ 67,143	\$ 67,143	\$ -	\$ 396,124	16.95%
2018	\$ 59,591	\$ 59,591	\$ -	\$ 367,843	16.20%
2017	\$ 55,496	\$ 55,496	\$ -	\$ 342,568	16.20%
2016	\$ 54,147	\$ 54,147	\$ -	\$ 334,240	16.20%
<b><i>Statewide Volunteer Firefighter Pension Plan</i></b>					
2025	\$ -	\$ -	\$ -	N/A	N/A
2024	\$ -	\$ -	\$ -	N/A	N/A
2023	\$ -	\$ -	\$ -	N/A	N/A
2022	\$ -	\$ -	\$ -	N/A	N/A
2021	\$ -	\$ -	\$ -	N/A	N/A
2020	\$ -	\$ -	\$ -	N/A	N/A
2019	\$ -	\$ -	\$ -	N/A	N/A

Note: The Volunteer Fire Relief Association schedule is provided prospectively with the City's fiscal year ended December 31, 2019. Additional years will be reported as they become available.

**CITY OF MILACA, MINNESOTA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**STATEWIDE VOLUNTEER FIREFIGHTER FUND**  
**LAST TEN YEARS (Presented Prospectively)**

	2024	2023	2022	2021	2020	2019
<b>Changes in Total Pension Liability (TPL)</b>						
Balance at January 1st	\$ 565,622	\$ 742,979	\$ 539,080	\$ 490,050	\$ 477,815	\$ 454,108
Service Cost	48,217	43,069	43,069	33,510	36,404	25,906
Interest on the TPL	35,744	40,429	34,929	31,262	28,222	28,582
Assumption Changes	-	(36,391)	(37,261)	(10,682)	(48,721)	(23,521)
Gain or Loss	31,630	-	-	-	-	-
Changes in Benefit Level	193,828	-	163,162	-	84,030	-
Benefit Payments	(36,200)	(224,464)	-	(5,060)	(87,700)	(7,260)
Balance at December 31st	<u>\$ 838,841</u>	<u>\$ 565,622</u>	<u>\$ 742,979</u>	<u>\$ 539,080</u>	<u>\$ 490,050</u>	<u>\$ 477,815</u>
<b>Plan Fiduciary Net Position (PFNP)</b>						
Balance at January 1st	\$ 901,440	\$ 933,020	\$ 1,029,847	\$ 880,539	\$ 816,759	\$ 655,600
Fire State Aid	75,950	65,577	57,530	54,793	51,210	47,841
Asset Transfer/Other	-	500	-	-	-	-
Projected Investment Income	55,188	126,807	(153,393)	86,886	101,126	121,399
Gain or Loss	36,280	-	-	13,700	-	-
Total Additions	<u>167,418</u>	<u>192,884</u>	<u>(95,863)</u>	<u>155,379</u>	<u>152,336</u>	<u>169,240</u>
Benefit Payments	(36,200)	(224,464)	-	(5,060)	(87,700)	(7,260)
Administrative Expenses	(3,030)	-	(964)	(1,011)	(856)	(821)
Total Reductions	<u>(39,230)</u>	<u>(224,464)</u>	<u>(964)</u>	<u>(6,071)</u>	<u>(88,556)</u>	<u>(8,081)</u>
Balance at December 31st	<u>\$ 1,029,628</u>	<u>\$ 901,440</u>	<u>\$ 933,020</u>	<u>\$ 1,029,847</u>	<u>\$ 880,539</u>	<u>\$ 816,759</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (190,787)</u>	<u>\$ (335,818)</u>	<u>\$ (190,041)</u>	<u>\$ (490,767)</u>	<u>\$ (390,489)</u>	<u>\$ (338,944)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	123%	159%	126%	191%	180%	171%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2019 (which coincided with the City's fiscal year-end at that time) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 1 BUDGETARY NOTES**

The City did not formally adopt a budget for the EDA major special revenue fund. Therefore, no such budget has been presented.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2025 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent 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 6.5 percent to 7.00 percent.

Changes in Plan Provisions

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

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – 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 7.50 percent to 6.50 percent, 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 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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.
- 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**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 \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**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 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – 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 use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- 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 percent to 13 percent for vested, terminated members and from 2 percent to 38 percent 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 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100 percent funded for a minimum of three consecutive years to 110 percent 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.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

**2024 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate was changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

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

**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 percent to 5.40 percent.

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 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

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

**2020 Changes**

Changes in 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.

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

**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 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.

**CITY OF MILACA, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

**NOTE 3 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)**

- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN**

**2024 Changes**

Changes in Actuarial Assumptions

- Administrative Expenses were updated to \$60 per participant beginning in plan year 2025.

**2023 Reporting Period Changes**

During the City’s reporting period ending December 31, 2023, the City began reporting pension balances and activity using actuarial reports for the measurement period ending one year prior to the City’s current reporting period. Prior to this change, the City’s reporting period had coincided with the measurement period date.

**2022 Changes**

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2022.

**CITY OF MILACA, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2025**

**NOTE 4 STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN (Continued)**

**2021 Changes**

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2021.

**2020 Changes**

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2020.

**2019 Changes**

Changes in Actuarial Assumptions

- There were no significant changes made to actuarial assumptions during 2019.

**SUPPLEMENTARY INFORMATION**

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

	Capital Project Funds			Special Revenue Funds
	All Parks Improvement Fund	Rec Park Improvement Fund	Veterans Memorial Fund	Youth Safety Fund
	Fund	Fund	Memorial Fund	Fund
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 185,264	\$ 114,280	\$ 3,120	\$ 2,184
Property Taxes Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 185,264</u>	<u>\$ 114,280</u>	<u>\$ 3,120</u>	<u>\$ 2,184</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue: Property Taxes	-	-	-	-
<b>FUND BALANCES</b>				
Restricted	-	-	-	-
Assigned	185,264	114,280	3,120	2,184
Unassigned	-	-	-	-
Total Fund Balances	<u>185,264</u>	<u>114,280</u>	<u>3,120</u>	<u>2,184</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 185,264</u>	<u>\$ 114,280</u>	<u>\$ 3,120</u>	<u>\$ 2,184</u>

**CITY OF MILACA, MINNESOTA**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2025**

	Special Revenue Funds			
	Charitable Gambling Fund	Revolving Loan Fund	Police Forfeitures Fund	City Event Fund
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 64,930	\$ 63,850	\$ 10,149	\$ 19,417
Property Taxes Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 64,930</b>	<b>\$ 63,850</b>	<b>\$ 10,149</b>	<b>\$ 19,417</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 788	\$ -	\$ -	\$ 1,575
Due to Other Funds	-	-	-	-
Total Liabilities	788	-	-	1,575
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue: Property Taxes	-	-	-	-
<b>FUND BALANCES</b>				
Restricted	64,142	63,850	10,149	-
Assigned	-	-	-	17,842
Unassigned	-	-	-	-
Total Fund Balances	64,142	63,850	10,149	17,842
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 64,930</b>	<b>\$ 63,850</b>	<b>\$ 10,149</b>	<b>\$ 19,417</b>

**CITY OF MILACA, MINNESOTA**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2025**

	Debt Service Funds			Total Nonmajor Funds
	Debt Service Fund	TIF District No. 4-10	TIF District No. 2-10	
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 492,822	\$ -	\$ -	\$ 956,016
Property Taxes Receivable	15,965	-	-	15,965
<b>TOTAL ASSETS</b>	<b>\$ 508,787</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 971,981</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 50,576	\$ -	\$ 52,939
Due to Other Funds	-	38,428	499	38,927
Total Liabilities	-	89,004	499	91,866
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue: Property Taxes	12,498	-	-	12,498
<b>FUND BALANCES</b>				
Restricted	496,289	-	-	634,430
Assigned	-	-	-	322,690
Unassigned	-	(89,004)	(499)	(89,503)
Total Fund Balances	496,289	(89,004)	(499)	867,617
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 508,787</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 971,981</b>

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

	Capital Project Funds			Formerly Nonmajor Fund
	All Parks Improvement Fund	Rec Park Improvement Fund	Veterans Memorial Fund	EDA Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	
Tax Increment	-	-	-	
Fines	-	-	-	
Investment Income	4,859	3,198	74	
Miscellaneous	-	-	1,100	
<b>TOTAL REVENUES</b>	<u>4,859</u>	<u>3,198</u>	<u>1,174</u>	
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	
Public Safety	-	-	-	
Parks and Recreation	-	1,000	-	
Economic Development	-	-	-	
Capital Outlay	(1)	-	175	
Debt Service:				
Principal	-	-	-	
Interest and Other Charges	-	-	-	
<b>TOTAL EXPENDITURES</b>	<u>(1)</u>	<u>1,000</u>	<u>175</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	4,860	2,198	999	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	
Transfers Out	-	(11,500)	-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(11,500)</u>	<u>-</u>	
<b>NET CHANGE IN FUND BALANCES</b>	4,860	(9,302)	999	
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	180,404	123,582	2,121	\$ (107,141)
<b>ADJUSTMENTS AND RESTATEMENTS</b>				
Adjustment - Change in Nonmajor Funds	-	-	-	<u>107,141</u>
<b>FUND BALANCES - BEGINNING</b> (As Restated)	<u>180,404</u>	<u>123,582</u>	<u>2,121</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 185,264</u>	<u>\$ 114,280</u>	<u>\$ 3,120</u>	<u>\$ -</u>

**CITY OF MILACA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCES**  
(Continued)  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Special Revenue Funds				
	Youth Safety Fund	Charitable Gambling Fund	Revolving Loan Fund	Police Forfeitures Fund	City Event Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ 38,614	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-	-
Fines	-	-	-	1,725	-
Investment Income	57	1,573	1,669	249	388
Miscellaneous	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>57</u>	<u>40,187</u>	<u>1,669</u>	<u>1,974</u>	<u>388</u>
<b>EXPENDITURES</b>					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	716	-
Parks and Recreation	-	10,178	-	-	7,966
Economic Development	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>10,178</u>	<u>-</u>	<u>716</u>	<u>7,966</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	57	30,009	1,669	1,258	(7,578)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	-	11,500
Transfers Out	-	(8,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>11,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	57	22,009	1,669	1,258	3,922
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	2,127	42,133	62,181	8,891	13,920
<b>ADJUSTMENTS AND RESTATEMENTS</b>					
Adjustment - Change in Nonmajor Funds	-	-	-	-	-
<b>FUND BALANCES - BEGINNING</b> (As Restated)	<u>2,127</u>	<u>42,133</u>	<u>62,181</u>	<u>8,891</u>	<u>13,920</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,184</u>	<u>\$ 64,142</u>	<u>\$ 63,850</u>	<u>\$ 10,149</u>	<u>\$ 17,842</u>

**CITY OF MILACA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BLANCES**  
(Continued)  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Debt Service Funds			
	Debt Service Fund	TIF District No. 4-10	TIF District No. 2-10	Total Nonmajor Funds
<b>REVENUES</b>				
Taxes	\$ 304,559	\$ -	\$ -	\$ 343,173
Tax Increment	-	56,196	1	56,197
Fines	-	-	-	1,725
Investment Income	6,165	-	-	18,232
Miscellaneous	-	-	-	1,100
<b>TOTAL REVENUES</b>	310,724	56,196	1	420,427
<b>EXPENDITURES</b>				
Current:				
General Government	-	2,000	-	2,000
Public Safety	-	-	-	716
Parks and Recreation	-	-	-	19,144
Economic Development	-	50,673	-	50,673
Capital Outlay	-	-	-	174
Debt Service:				
Principal	215,252	-	-	215,252
Interest and Other Charges	99,546	-	-	99,546
<b>TOTAL EXPENDITURES</b>	314,798	52,673	-	387,505
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(4,074)	3,523	1	32,922
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	66,491	-	-	77,991
Transfers Out	(232,686)	-	-	(252,186)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(166,195)	-	-	(174,195)
<b>NET CHANGE IN FUND BALANCES</b>	(170,269)	3,523	1	(141,273)
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	-	(92,527)	(500)	235,191
<b>ADJUSTMENTS AND RESTATEMENTS</b>				
Adjustment - Change in Nonmajor Funds	666,558	-	-	773,699
<b>FUND BALANCES - BEGINNING</b> (As Restated)	666,558	(92,527)	(500)	1,008,890
<b>FUND BALANCES - ENDING</b>	\$ 496,289	\$ (89,004)	\$ (499)	\$ 867,617

**CITY OF MILACA, MINNESOTA  
SUPPLEMENTAL COMBINING BALANCE SHEET  
DEBT SERVICE FUND  
DECEMBER 31, 2025**

	2010 GO Refunding Debt	2012 GO Bonds	2012 Equipment Certificate	2014 Fire Hall Improvement	2015 GO Park Debt	2017 Library Lease Refunding	2019 Improvement Debt
<b>ASSETS</b>							
Cash, Cash Equivalents, and Investments	\$ -	\$ -	\$ 1,034	\$ -	\$ 34,280	\$ 143,386	\$ 116,285
Property Taxes Receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,355</u>	<u>-</u>	<u>3,280</u>
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,034</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,635</u></u>	<u><u>\$ 143,386</u></u>	<u><u>\$ 119,565</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue: Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,840	\$ -	\$ 2,562
<b>FUND BALANCES</b>							
Restricted	-	-	1,034	-	34,795	143,386	117,003
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>-</u>	<u>34,795</u>	<u>143,386</u>	<u>117,003</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,034</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,635</u></u>	<u><u>\$ 143,386</u></u>	<u><u>\$ 119,565</u></u>

**CITY OF MILACA, MINNESOTA**  
**SUPPLEMENTAL COMBINING BALANCE SHEET (Continued)**  
**DEBT SERVICE FUND**  
**DECEMBER 31, 2025**

	2020 Loader Equipment Lease	2021 GO Street Project Bonds	2022 GO Street Project Bonds	2024A GO Street Reconstruction Bonds	2024B GO Taxable Tax Abatement Bonds	Intrafund Activity	Total Debt Service Fund
<b>ASSETS</b>							
Cash, Cash Equivalents, and Investments	\$ -	\$ 121,192	\$ 66,574	\$ 1,611	\$ 8,460	\$ -	\$ 492,822
Property Taxes Receivable	-	3,059	2,669	3,304	1,298	-	15,965
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 124,251</u>	<u>\$ 69,243</u>	<u>\$ 4,915</u>	<u>\$ 9,758</u>	<u>\$ -</u>	<u>\$ 508,787</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue: Property Taxes	\$ -	\$ 2,394	\$ 2,089	\$ 2,594	\$ 1,019	\$ -	\$ 12,498
<b>FUND BALANCES</b>							
Restricted	-	121,857	67,154	2,508	8,739	(187)	496,289
Unassigned	-	-	-	(187)	-	187	-
Total Fund Balance	<u>-</u>	<u>121,857</u>	<u>67,154</u>	<u>2,321</u>	<u>8,739</u>	<u>-</u>	<u>496,289</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 124,251</u>	<u>\$ 69,243</u>	<u>\$ 4,915</u>	<u>\$ 9,758</u>	<u>\$ -</u>	<u>\$ 508,787</u>

**CITY OF MILACA, MINNESOTA**  
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	2010 GO Refunding Debt	2012 GO Bonds	2012 Equipment Certificate	2014 Fire Hall Improvement	2015 GO Park Debt	2017 Library Lease Refunding	2019 Improvement Debt
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 45,023	\$ -	\$ 62,748
Investment Income (Loss)	-	-	-	-	1,028	-	1,984
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,051</u>	<u>-</u>	<u>64,732</u>
<b>EXPENDITURES</b>							
Debt Service:							
Principal	-	-	-	-	35,000	-	50,000
Interest and Other Charges	-	-	-	-	7,370	-	10,020
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,370</u>	<u>-</u>	<u>60,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-	3,681	-	4,712
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	35,175	-	-	-	-	-	-
Transfers Out	-	(192,297)	-	(40,389)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>35,175</u>	<u>(192,297)</u>	<u>-</u>	<u>(40,389)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	35,175	(192,297)	-	(40,389)	3,681	-	4,712
<b>FUND BALANCE - BEGINNING</b>	<u>(35,175)</u>	<u>192,297</u>	<u>1,034</u>	<u>40,389</u>	<u>31,114</u>	<u>143,386</u>	<u>112,291</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034</u>	<u>\$ -</u>	<u>\$ 34,795</u>	<u>\$ 143,386</u>	<u>\$ 117,003</u>

**CITY OF MILACA, MINNESOTA**  
**SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	2020 Loader Equipment Lease	2021 GO Street Project Bonds	2022 GO Street Project Bonds	2024A GO Street Reconstruction Bonds	2024B GO Taxable Tax Abatement Bonds	Intrafund Activity	Total Debt Service Fund
<b>REVENUES</b>							
Taxes	\$ -	\$ 58,489	\$ 50,934	\$ 62,734	\$ 24,631	\$ -	\$ 304,559
Investment Income (Loss)	-	2,189	945	19	-	-	6,165
<b>TOTAL REVENUES</b>	-	60,678	51,879	62,753	24,631	-	310,724
<b>EXPENDITURES</b>							
Debt Service:							
Principal	27,109	45,000	30,000	15,000	13,143	-	215,252
Interest and Other Charges	4,207	10,834	19,121	45,245	2,749	-	99,546
<b>TOTAL EXPENDITURES</b>	31,316	55,834	49,121	60,245	15,892	-	314,798
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(31,316)	4,844	2,758	2,508	8,739	-	(4,074)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	31,316	-	-	-	-	-	66,491
Transfers Out	-	-	-	-	-	-	(232,686)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	31,316	-	-	-	-	-	(166,195)
<b>NET CHANGE IN FUND BALANCE</b>	-	4,844	2,758	2,508	8,739	-	(170,269)
<b>FUND BALANCE - BEGINNING</b>	-	117,013	64,396	(187)	-	-	666,558
<b>FUND BALANCE - ENDING</b>	\$ -	\$ 121,857	\$ 67,154	\$ 2,321	\$ 8,739	\$ -	\$ 496,289

**CITY OF MILACA, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/25	Issued	Paid	Outstanding Balance 12/31/25	Principal Due Within One Year
<b>GOVERNMENTAL INDEBTEDNESS</b>									
<u>General Obligation Bonds</u>									
G.O. Park Improvement Bonds, Series 2015A	3/16/2015	2.00-3.40%	12/15/2030	\$ 475,000	\$ 225,000	\$ -	\$ 35,000	\$ 190,000	\$ 35,000
G.O. Street Reconstruction Bonds, Series 2019A	7/10/2019	2.10-3.00%	2/1/2031	545,000	365,000	-	50,000	315,000	50,000
G.O. Street Reconstruction Bonds, Series 2021A	8/12/2021	0.85-2.00%	2/1/2037	715,000	630,000	-	45,000	585,000	45,000
G.O. Street Reconstruction Bonds, Series 2022A	6/12/2022	3.35-4.00%	2/1/2037	570,000	505,000	-	30,000	475,000	30,000
G.O. Street Reconstruction Bonds, Series 2024A	6/18/2024	5.00%	12/15/2039	600,000	600,000	-	15,000	585,000	30,000
G.O. Taxable Tax Abatement Bonds, Series 2024B	7/1/2024	1.00%	7/1/2034	137,500	137,500	-	13,143	124,357	13,274
<u>Financing Arrangements</u>									
Equipment Financing Arrangement	1/1/2020	3.85%	1/1/2027	223,016	109,263	-	27,109	82,154	28,153
<b>TOTAL GOVERNMENTAL DEBTS</b>				<b>3,265,516</b>	<b>2,571,763</b>	<b>-</b>	<b>215,252</b>	<b>2,356,511</b>	<b>231,427</b>
<b>ENTERPRISE INDEBTEDNESS</b>									
<u>General Obligation Bonds</u>									
G.O. Water Revenue Bonds, Series 2022B	10/13/2022	3.25%	2/1/2028	373,000	306,000	-	73,000	233,000	75,000
<u>MN Public Facilities Authority Loan</u>									
G.O. Revenue Bonds, 2006	7/19/2006	1.07%	8/20/2026	3,060,114	344,000	-	171,000	173,000	173,000
<b>TOTAL ENTERPRISE DEBTS</b>				<b>3,433,114</b>	<b>650,000</b>	<b>-</b>	<b>244,000</b>	<b>406,000</b>	<b>248,000</b>
<b>TOTAL INDEBTEDNESS</b>				<b>\$ 6,698,630</b>	<b>\$ 3,221,763</b>	<b>\$ -</b>	<b>\$ 459,252</b>	<b>\$ 2,762,511</b>	<b>\$ 479,427</b>

**OTHER REQUIRED REPORTS  
AND SCHEDULES**

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

Honorable Mayor and City Council  
City of Milaca, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milaca (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Milaca's basic financial statements and have issued our report thereon dated June 10, 2026.

***Report on Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Responses* as items 2025-001 and 2025-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Responses* as item 2025-002 to be a significant deficiency.

## ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Minnesota Legal Compliance***

In connection with our audit, we noted that the City of Milaca failed to comply with provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Responses* as item 2025-004. Also in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, contracting – bid laws, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **City's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the City of Milaca's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

June 10, 2026

**CITY OF MILACA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2025-001            Limited Segregation of Duties**

*Condition:*                    The City has limited segregation of accounting duties.

*Criteria:*                      The City should adopt an internal control structure that properly segregates the various functions of each account cycle. This means no single person should be in a position to both initiate and approved a transaction, as well as have access to the related physical assets involved with the transaction. In other words, an employee should not be in a position to both commit an irregularity and cover it up.

*Cause:*                         Limited number of staff members.

*Effect:*                        The lack of ideal segregation of duties could expose the City to heightened risk that errors or fraud could occur and not be detected in a timely manner.

*Recommendation:*        Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**Finding 2025-002            Financial Statement Preparation**

*Condition:*                    Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management’s responsibility to provide for the preparation of financial statements and the auditor’s responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.

*Criteria:*                      Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                        The City’s staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

*Effect:*                        The inability to internally prepare the City’s financial statements can result in undetected errors in financial reporting.

*Recommendation:*        We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not have the ability to eliminate this finding within current budgetary constraints.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CITY OF MILACA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2025-003      Material Audit Adjustments**

*Condition:*                      Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*                        The City is required to report financial information in accordance with accounting principles generally accepted in the United States of America.

*Cause:*                            The City failed to record certain year-end adjustments for the purpose of properly presenting accrual balances required under generally accepted accounting principles.

*Effect:*                            The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*            We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

*Views of Responsible  
Officials And Planned*

*Corrective Actions:*            Management agrees with the recommendation. See corresponding Corrective Action Plan.

**MINNESOTA LEGAL COMPLIANCE FINDINGS**

**Finding 2025-004      Unclaimed Property**

*Condition:*                        The City has outstanding checks that have been outstanding for longer than three years.

*Criteria:*                        Minnesota Statute §345.41 requires that cities report and deliver all unclaimed property (such as issued and outstanding, uncashed checks) older than three years to the Commissioner of Commerce.

*Cause:*                            The City did not report unclaimed checks older than three years to the Commissioner of Commerce.

*Effect:*                            Failure to report and deliver all outstanding uncashed or unclaimed payroll checks older than three years to the Commissioner of Commerce resulted in the City's noncompliance with Minnesota Statutes.

*Recommendation:*            We recommend that the City, on an annual basis, review outstanding checks to assess whether or not these checks should be voided and reissued, written off, or reported to the Commissioner of Commerce.

*Views of Responsible  
Officials and Planned*

*Corrective Actions:*            Management agrees with our recommendation. See corresponding Corrective Action Plan.

**CITY OF MILACA, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2025-001            Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
  
2. Actions Planned in Response to Finding  
The City currently has the following procedures in place:
  - o The City’s Department Heads review all invoices received. The City Council also reviews the monthly invoices and approves the expenditures.
  - o The City utilizes claim listings which are approved by the City Manager.The City will review current procedures and implement additional controls where possible.
  
3. Official Responsible  
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
  
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
  
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2025-002            Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
  
2. Actions Planned in Response to Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
  
3. Official Responsible  
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
  
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
  
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**CITY OF MILACA, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2025-003      Material Audit Adjustments**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
3. Official Responsible  
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**MINNESOTA LEGAL COMPLIANCE FINDINGS**

**Finding 2025-004      Unclaimed Property**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review outstanding checks on an annual basis and take corrective action as appropriate.
3. Official Responsible  
Tammy Pfaff, City Manager, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The planned completion date is December 31, 2026.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.



Milaca Police Department  
255 1st St E  
Milaca, MN 56353

## Incidents Summary List

Printed On: 06/10/26 12:59

**Reporting Period : 05/01/2026 - 05/31/2026**

	Milaca Police Department	Total
911 Hang Up	1	1
Accident Property Damage	5	5
Accident With Injuries	1	1
Agency Assist	2	2
Alarm	7	7
Animal	11	11
Assault	1	1
Background Check	4	4
Burglary	1	1
Civil Issue	1	1
Community Contact	2	2
Crim Sex	1	1
Criminal Damage To Property	1	1
Death Investigation	2	2
Debris	1	1
Disturbance	14	14
Domestic	1	1
Driving Complaint	2	2
Family Services Referral	4	4
Fire	4	4
Found Property	3	3
Funeral Escort	2	2
Harassment Complaint	5	5
Icr Misc	11	11
Juvenile Complaint	3	3
Lockout	5	5
Lost Property	1	1
Medical	35	35
Missing Person	1	1
Parking Complaint	2	2
Permit To Acquire	3	3
Public Assist	13	13
Remove Unwanted	1	1
Suspicious Activity	6	6
Theft	4	4
Threats Complaint	2	2
Traffic	49	49
Trespass Complaint	1	1



Milaca Police Department  
255 1st St E  
Milaca, MN 56353

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## Incidents Summary List

Printed On: 06/10/26 12:59

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**Reporting Period : 05/01/2026 - 05/31/2026**

	Milaca Police Department	Total
Welfare Check	8	<b>8</b>
Zoning Violation	1	<b>1</b>
<b>Total</b>	<b>222</b>	<b>222</b>



June 10, 2026

Tammy Pfaff, Manager  
City of Milaca  
City Hall  
255 1<sup>st</sup> Street East  
Milaca, MN 55353

**Reference: Authorize Design Phase – 2027 Water Tower Maintenance Project**

Dear Tammy,

The City has been planning for a water tower maintenance project for many years. This project includes full interior and exterior paint replacement on 500,000 Water Tower located in the industrial park. The proposed project is included in the Capital Improvement Plan (CIP). The City is in the process applying for grant and financing for the project from several sources. As requested, we have prepared a work plan to provide engineering services for the project.

The following summarizes a work plan for the tasks necessary to complete the project. This information has been prepared in consultation with city staff and based on our experience with recent similar projects. Major portions of the work described herein will be completed by KLM Engineering, a firm specializing in engineering involving water towers.

**Work Scope.** The proposed Engineering Services for the project are summarized below. Note that the current request is only to proceed with Task 1 – Design Engineering. A request for authorization for the other tasks can occur in the future.

**Task 1.0 – Design Engineering.** Stantec will prepare plans and specifications and perform bidding services for the rehabilitation of the tower. We assume that the city will lead the effort to determine the tower logo and painting scheme. No new logo or color analysis hours are included in the fee estimate for this task. Design documents will reflect the KLM evaluation specifics and will incorporate all City Staff comments. An updated Opinion of Probable Project Costs will be prepared with these documents.

After MDH and the City Council have approved the Project bid documents, the project will go through a competitive bidding process. We will facilitate advertising, make the bidding documents available on QuestCDN, and provide assistance during the bidding process. We will assist the City at the bid opening, prepare a bid tabulation/analysis, and make an award recommendation.

**Task 2.0 – Grant Administration.** At this time, the financing/funding source(s) for the project are unknown. The City is pursuing grant funding for the project as well as other sources of more traditional financing. Some grant funding requires environmental review and other grant administrations tasks. Therefore, we have included a planning level estimate in the full project cost estimate in the event that grant administration assistance is needed.

Reference: Authorize Design Phase – 2027 Water Tower Maintenance Project

**Task 3.0 – Antenna Management.** KLM Engineering will assist the city with Antenna Management. As part of this process, KLM will work with the antenna company (AT&T) through the notification, relocation, and the reinstallation processes. It is possible that the city will be able to get financial escrow funds from the antenna companies for this process.

**Task 4.0 - Construction Services.** Detailed construction inspection services will provided by KLM Engineering. Stantec will also perform the following services during construction.

- Set up and conduct a preconstruction conference.
- Review Shop Drawings.
- Confer and act as the Utility's representative in matters between the Contractor and the City
- Attend regular progress meetings with City, KLM, and Contractor.
- Prepare Contractor's Request for Payment forms.
- Review KLM final inspection and final acceptance recommendation.
- Coordinate KLM final warranty inspection.
- Prepare Record Documents.

**Estimated project cost.** The current planning level estimate of total project costs is \$1,300,000 as summarized below.

Opinion of Probable Project Costs		
Item	Estimated Cost	Notes
Design, and Bidding (Stantec)	\$ 40,000	
Grant Admin and Environmental (Stantec)	\$ 25,000	<i>Estimate - depends on funding source</i>
Evaluation and Design (KLM)	\$ 11,000	Per 4/16/26 KLM Proposal
Submittal Reviews (KLM)	\$ 4,000	
Construction (2027)	\$ 1,000,000	Per IUP Application
KLM Antennae Management	\$ 22,000	Estimate
Construction Insp. (KLM)	\$ 75,000	Estimate
2029 KLM Warranty Inspection	\$ 4,100	Per 5/20/26 KLM message
2027-2028 Construction Mgmt. - Stantec	\$ 25,000	
2027-2028 Grant Admin. - Stantec	\$ 10,000	<i>Estimate - depends on funding source</i>
Contingency	\$ 83,900	Approx. 5%
<b>TOTAL PROJECT</b>	<b>\$ 1,300,000</b>	

**Possible Project Schedule:**

- Start Engineering Plans and Specifications: June 2026
- Bid Project: February 2027
- Award Contract: May 2027
- Start Construction: June 2027
- Substantial Completion: October 2027

June 10, 2026

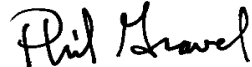
Page 3 of 3

Reference: **Authorize Design Phase – 2027 Water Tower Maintenance Project**


Engineering for this project can be completed in two steps: design and construction. At this time, **we request that the City Council Authorize preparation of plans and specifications and bidding for the 2027 Water Tower Maintenance Project.** The estimated Stantec fee for this Task is \$40,000. Work will be completed in accordance with terms of our current City-Stantec Agreement.

We look forward to working with the City to complete this necessary public improvement. Please feel free to contact us if you have any questions or if you require any additional information.

Regards,  
**STANTEC**



Phil Gravel, City Engineer



Tim Grinstead, Project Manager

cc: Gary Kirkeby, Public Works Superintendent



Stantec Consulting Services Inc.  
733 Marquette Avenue Suite 1000, Minneapolis MN 55402-2309

June 10, 2026

**Attention: Tammy Pfaff, Manager**  
City of Milaca  
255 1<sup>st</sup> Street East  
Milaca, MN 55353

**Reference: Street Grading Plan for Milaca Junction**

Dear Tammy,

Attached is a construction plan set to complete the initial grading of the street section for the Milaca Junction development. Grading the street section will “cut” material from the street alignment to a depth of about 2.5-feet. This cut area will eventually be filled with granular material, gravel, and pavement when utilities are installed and the road is constructed.

The process of rough grading the road will generate about 6,500 cubic yards of material. This material can be used to raise some of the lots. The plan call sfor placing the excess material on lots 3-6 (the lots on the west side of the proposed road). The process of placing the material will include removing existing topsoil, placing the fill material, and respreading the topsoil. The contractor will be required to compact the material to 95% density, but will not be required to make building ready pads.

**If the City would like to proceed with the street grading, we request approval of the plans and authorization to obtain bids.** Bid results can be available to the July council meeting.

Please feel free to contact Chuck Boser or me if you have any questions or require any additional information on this matter.

Regards,  
**STANTEC**

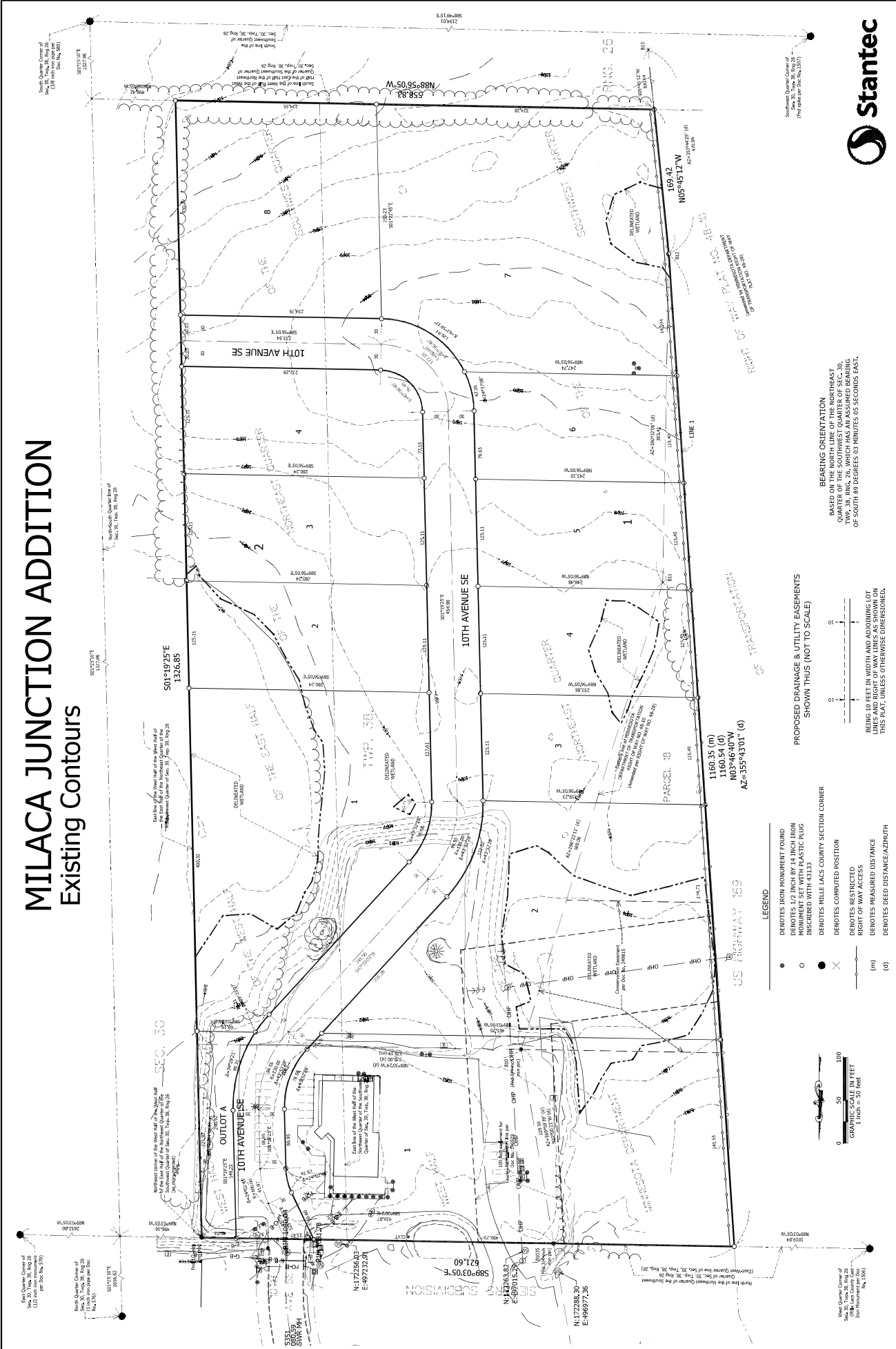
A handwritten signature in black ink that reads "Phil Gravel".

Phil Gravel

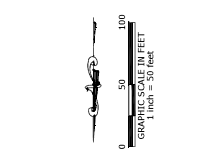


# MILACA JUNCTION ADDITION

## Existing Contours



- LEGEND**
- DENOTES IRON MONUMENT FOUND
  - DENOTES 1/2 INCH BY 1/4 INCH IRON MONUMENT SET WITH PLASTIC PLUG INSCRIBED WITH 43133
  - ⊗ DENOTES HILLS LACS COUNTY SECTION CORNER
  - ⊗ DENOTES COMPUTED POSITION
  - DENOTES RESTRICTED RIGHT OF WAY ACCESS
  - (m) DENOTES MEASURED DISTANCE
  - (d) DENOTES DEED DISTANCE/AZIMUTH



PROPOSED DRAINAGE & UTILITY EASEMENTS SHOWN THUS (NOT TO SCALE)

BEARING ORIENTATION BASED ON THE NORTH LINE OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SEC. 30, T. 58 N., R. 26 E., S. 1507, OF SOUTH 89 DEGREES 03 MINUTES 05 SECONDS EAST.

BEING 10 FEET IN WIDTH AND ADDITIONAL LOT LINES AND RIGHT OF WAY LINES AS SHOWN ON THIS PLAN, UNLESS OTHERWISE DIMENSIONED.















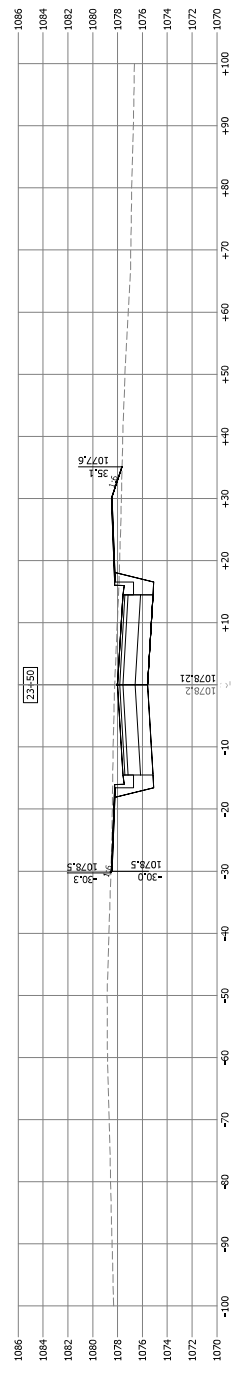
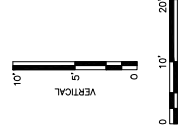












	2d Area (Sq. Ft.)	Cut (Cub. Yd.)	Fill (Cub. Yd.)	Net (Cub. Yd.)
Totals	121,572.14	6514.93	1,376.69	5138.24-Cut
Total				