

# **ANNUAL FINANCIAL REPORT**

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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Annual Financial Report  
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For the Year Ended December 31, 2025

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INTRODUCTORY SECTION

CITY OF WABASHA  
WABASHA, MINNESOTA

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City of Wabasha, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2025

**ELECTED**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Emily Durand	2026	Mayor
John Friedmeyer	2026	Council Member
Timothy Wallerich	2026	Council Member
Dean Meurer	2028	Council Member
Jeff Sulla	2028	Council Member
Brian Wodele	2028	Council Member
Eugene Jensen	2026	Council Member

**APPOINTED**

Caroline Gregerson	City Administrator
Tyler Grabau	Finance Director

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FINANCIAL SECTION  
CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Wabasha, Minnesota

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wabasha, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the respective budgetary comparison schedule and related note disclosures starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.



### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2026 on our consideration of the City'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's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
April 8, 2026



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## Management's Discussion and Analysis

As management of the City of Wabasha, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

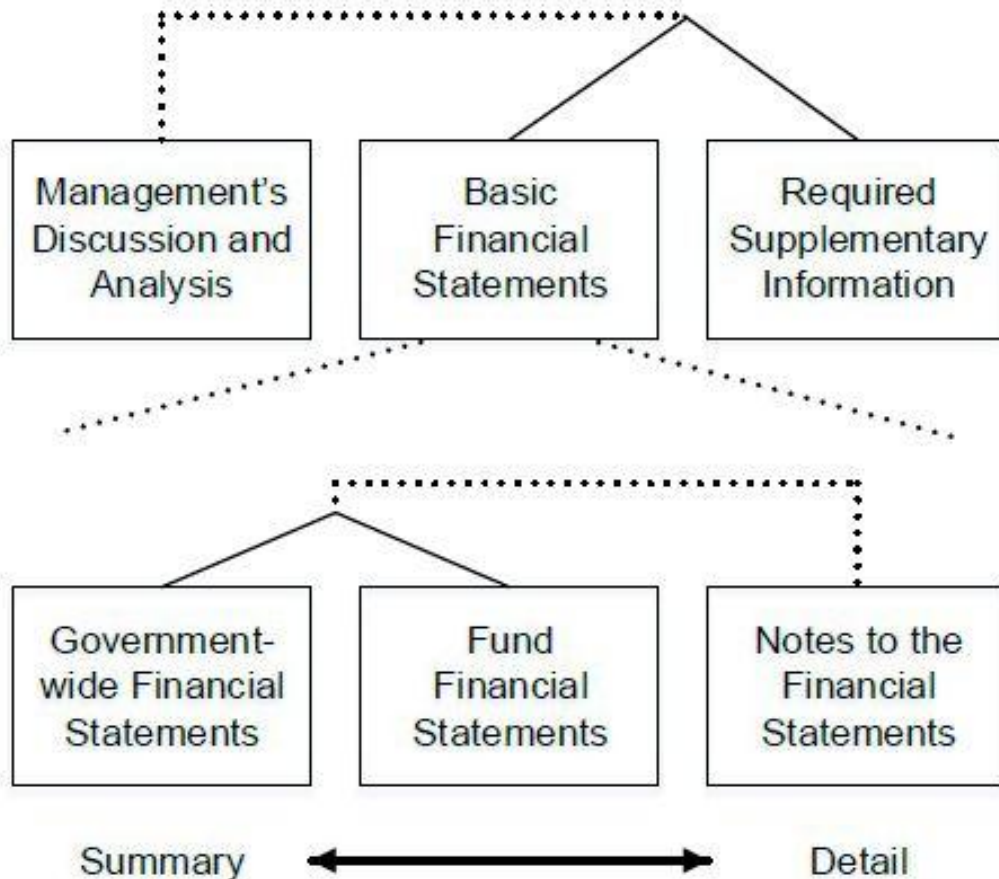


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous and interest on long-term debt. The business-type activities of the City include water and sewer.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Port Authority (PA) for which the City is financially accountable. Financial information for this *component unit* is discretely presented from the primary government itself.

The government-wide financial statements start on page 31 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Capital Improvement fund, the Debt Service funds and the 2025 Street Project fund, and the TIF 9 Alleghany Apartments fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic governmental funds financial statements start on page 36 of this report.

**Proprietary Fund.** The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43 of this report.

**Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 88 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred outflows of resources as shown below at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding.

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

### Analysis of the City's Finances

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 6,453,387	\$ 4,164,457	\$ 2,288,930	\$ 2,946,757	\$ 2,117,430	\$ 829,327
Capital assets	19,892,602	19,873,288	19,314	12,095,452	11,764,794	330,658
<b>Total Assets</b>	<b>26,345,989</b>	<b>24,037,745</b>	<b>2,308,244</b>	<b>15,042,209</b>	<b>13,882,224</b>	<b>1,159,985</b>
<b>Deferred Inflows of Resources</b>						
Pension resources	914,820	1,071,299	(156,479)	29,278	27,907	1,371
<b>Liabilities</b>						
Noncurrent liabilities outstanding	6,791,109	4,927,641	1,863,468	5,901,995	4,890,047	1,011,948
Other liabilities	653,747	706,681	(52,934)	551,970	179,702	372,268
<b>Total Liabilities</b>	<b>7,444,856</b>	<b>5,634,322</b>	<b>1,810,534</b>	<b>6,453,965</b>	<b>5,069,749</b>	<b>1,384,216</b>
<b>Deferred Outflows of Resources</b>						
Pension resources	1,206,320	1,353,229	(146,909)	58,852	69,742	(10,890)
<b>Net Assets</b>						
Net investment in capital assets	16,102,340	16,302,288	(199,948)	6,744,740	6,990,204	(245,464)
Restricted	1,447,171	1,279,798	167,373	-	-	-
Unrestricted	1,060,122	539,407	520,715	1,813,930	1,780,436	33,494
<b>Total Net Position</b>	<b>\$ 18,609,633</b>	<b>\$ 18,121,493</b>	<b>\$ 488,140</b>	<b>\$ 8,558,670</b>	<b>\$ 8,770,640</b>	<b>\$ (211,970)</b>
<b>Net Position as a Percent of Total</b>						
Net investment in capital assets	86.5 %	89.9 %		78.8 %	79.7 %	
Restricted	7.8	7.1		-	-	
Unrestricted	5.7	3.0		21.2	20.3	
	<b>100.0 %</b>	<b>100.0 %</b>		<b>100.0 %</b>	<b>100.0 %</b>	

As shown in the table above, as of December 31, 2025, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. The City's total net position increased as a result of the financial performance of the governmental and business-type activities. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

**Governmental Activities.** Governmental activities increased the City’s net position, as shown below.

### City of Wabasha’s Changes in Net Position

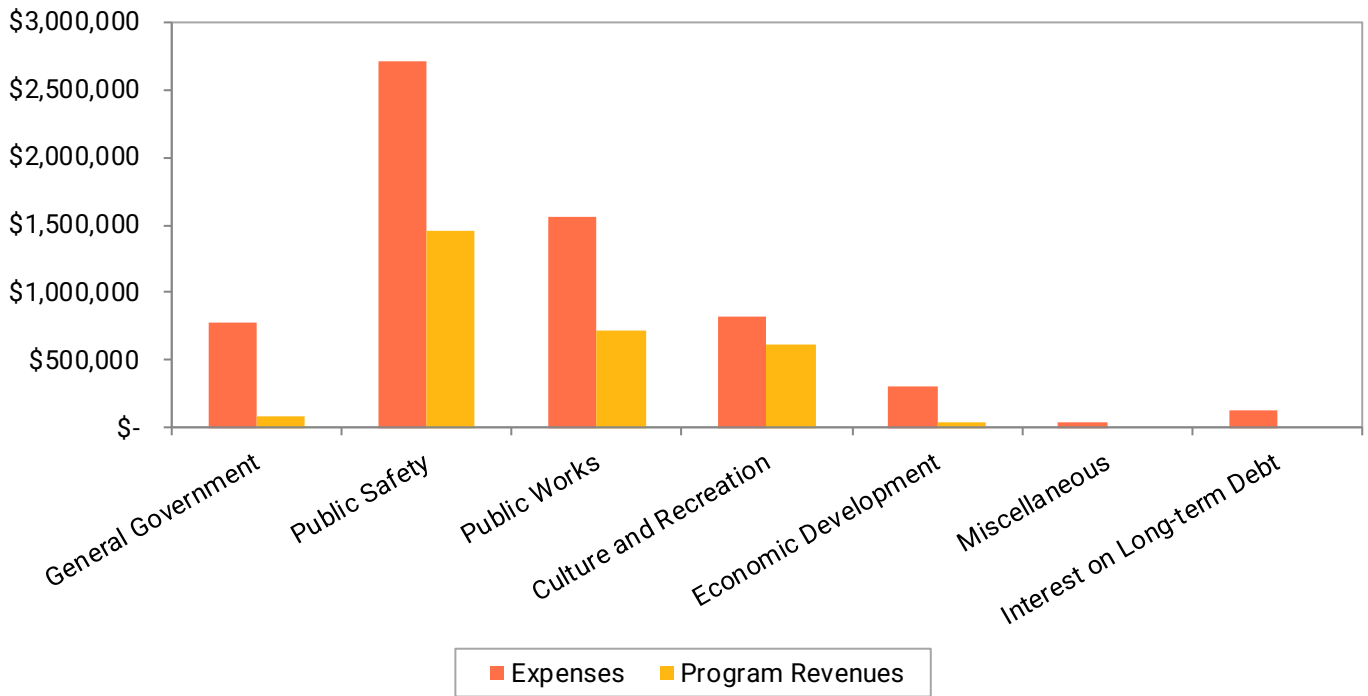
	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,774,897	\$ 1,530,399	\$ 244,498	\$ 1,257,506	\$ 1,240,817	\$ 16,689
Operating grants and contributions	1,031,958	1,173,798	(141,840)	-	10,000	(10,000)
Capital grants and contributions	99,117	1,218,488	(1,119,371)	163,577	11,706	151,871
General Revenues						
Property taxes	2,672,271	2,528,434	143,837	-	-	-
Tax increments	-	42,236	(42,236)	-	-	-
Other taxes	130,704	131,700	(996)	-	-	-
Interest	55,698	70,614	(14,916)	40,158	61,445	(21,287)
Grants and contributions not restricted to specific programs	745,179	702,951	42,228	-	-	-
Gain on sale of assets	26	14,443	(14,417)	-	-	-
<b>Total Revenues</b>	<b>6,509,850</b>	<b>7,413,063</b>	<b>(903,213)</b>	<b>1,461,241</b>	<b>1,323,968</b>	<b>137,273</b>
Expenses						
General government	771,825	749,648	22,177	-	-	-
Public safety	2,715,725	2,408,533	307,192	-	-	-
Public works	1,558,394	1,320,268	238,126	-	-	-
Culture and recreation	815,379	1,008,170	(192,791)	-	-	-
Economic development	305,705	90,266	215,439	-	-	-
Miscellaneous	37,777	122,415	(84,638)	-	-	-
Interest on long-term debt	122,000	268,379	(146,379)	-	-	-
Water	-	-	-	580,797	440,832	139,965
Sewer	-	-	-	787,319	753,070	34,249
<b>Total Expenses</b>	<b>6,326,805</b>	<b>5,967,679</b>	<b>359,126</b>	<b>1,368,116</b>	<b>1,193,902</b>	<b>174,214</b>
Increase (Decrease) in Net Position Before Transfers	183,045	1,445,384	(1,262,339)	93,125	130,066	(36,941)
Transfers - Capital Assets	-	(67,760)	67,760	-	67,760	(67,760)
Transfers	305,095	5,000	300,095	(305,095)	(5,000)	(300,095)
<b>Change in Net Position</b>	<b>488,140</b>	<b>1,382,624</b>	<b>(894,484)</b>	<b>(211,970)</b>	<b>192,826</b>	<b>(404,796)</b>
Net Position, January 1	18,121,493	16,738,869	1,382,624	8,770,640	8,577,814	192,826
<b>Net Position, December 31</b>	<b>\$ 18,609,633</b>	<b>\$ 18,121,493</b>	<b>\$ 488,140</b>	<b>\$ 8,558,670</b>	<b>\$ 8,770,640</b>	<b>\$ (211,970)</b>

**Key elements of this increase are as follows:**

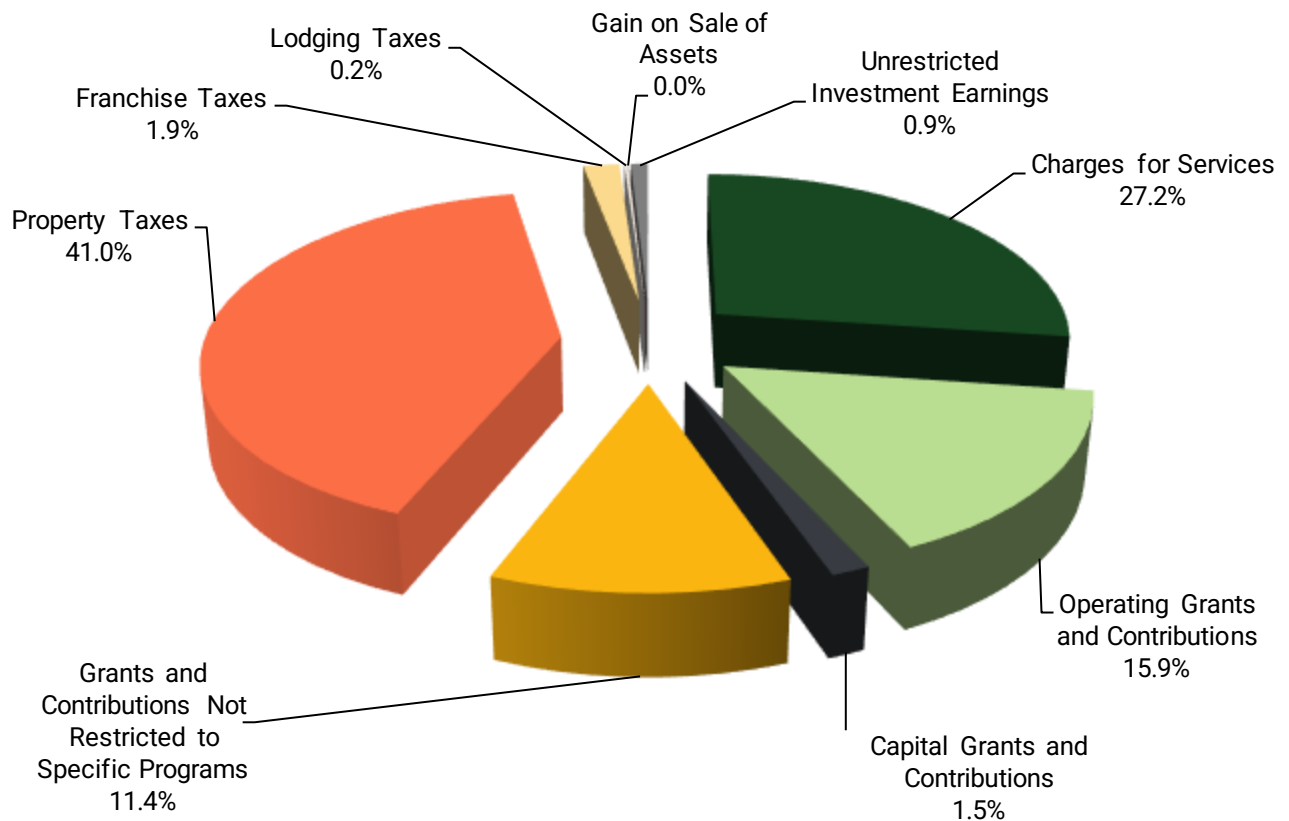
- Increases in charges for services related to ambulance services.
- Capital grants decreased due to the 2023 street project winding down and the related reimbursements.
- Public safety costs due to implementation of grant-funded flood mitigation costs and general increases in police wages, increased call volume for the fire department
- Public works costs rose due to more street maintenance occurring in 2025 than in the prior year.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



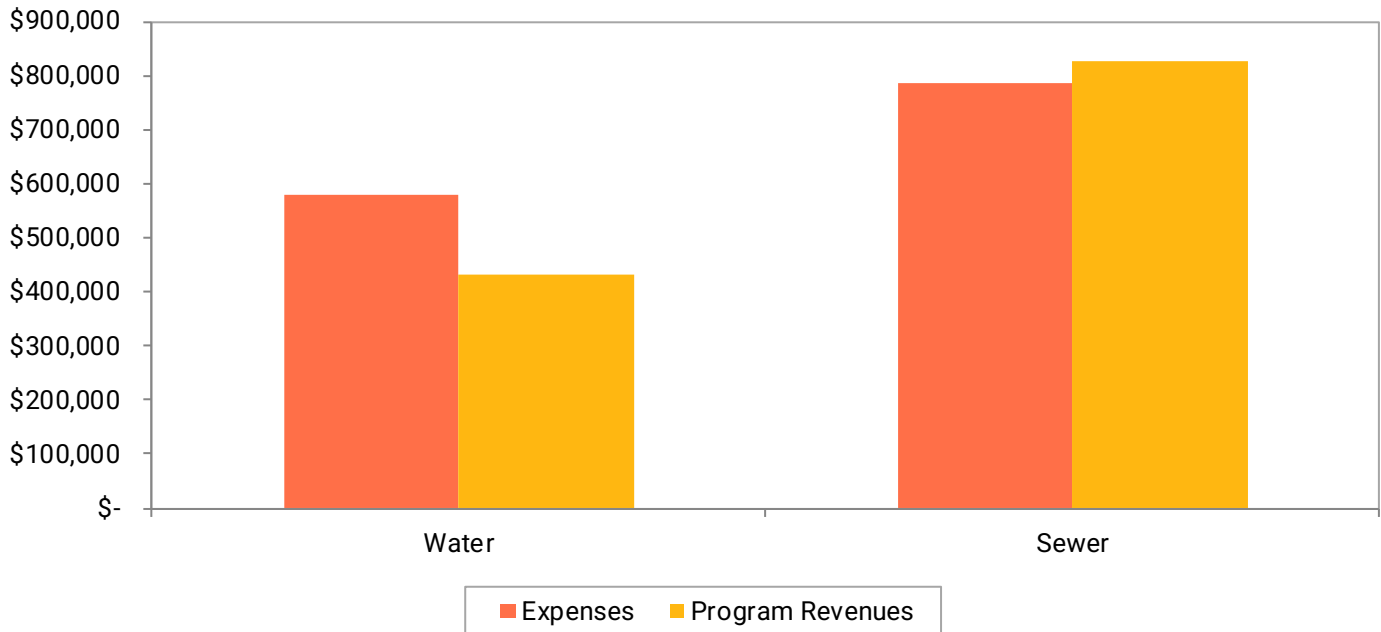
### Revenues by Source - Governmental Activities



**Business-type Activities.** Business-type activities decreased the City’s net position, as shown in the changes in net position table. Key elements of this decrease are as follows:

- Capital grants and contributions increased due to grants received from the state related to capital costs.
- Charges for services for business-type activities remained steady due to a drop in usage but increased rates.
- Water costs rose in the current year due to an increase in contractor fees.
- Sewer costs rose in the current year due to an increase in bond interest and capital related activity.

### Expenses and Program Revenues - Business-type Activities



### Financial Analysis of the Government’s Funds

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

**Governmental Funds.** The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2025

	General Fund	Debt Service Fund	Capital Improvement	2025 Street Project	Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 39,300	\$ -	\$ -	\$ -	\$ 1,600	\$ 40,900	\$ 36,047	\$ 4,853
Restricted	-	576,387	-	650,738	1,328,379	2,555,504	783,449	1,772,055
Assigned	-	-	468,430	-	152,508	620,938	343,913	277,025
Unassigned	2,125,321	-	-	-	(154,352)	1,970,969	1,680,323	290,646
	<u>\$ 2,164,621</u>	<u>\$ 576,387</u>	<u>\$ 468,430</u>	<u>\$ 650,738</u>	<u>\$ 1,328,135</u>	<u>\$ 5,188,311</u>	<u>\$ 2,843,732</u>	<u>\$ 2,344,579</u>

As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances as shown above. Additional information on the City’s fund balances can be found in Note 1 on page 49.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table below. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 39,300	\$ 34,634	\$ 4,666
Restricted	-	111,701	(111,701)
Unassigned	<u>2,125,321</u>	<u>2,029,466</u>	<u>95,855</u>
Total	<u>\$ 2,164,621</u>	<u>\$ 2,175,801</u>	<u>\$ (11,180)</u>
General Fund expenditures	\$ 4,523,995	\$ 4,048,527	
Unassigned as a percent of expenditures	47.0%	50.1%	
Total Fund Balance as a percent of expenditures	47.8%	53.7%	

The fund balance of the City's General fund decreased during the current fiscal year as shown in the table above. More detail on the fund balance decrease is shown below in the budgetary highlights.

Other major governmental fund analysis is shown below:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>Increase (Decrease)</u>
Debt Service fund	\$ 576,387	\$ 369,346	\$ 207,041
<i>The Debt Service fund balance increase was due to new debt being issued during the year and revenue in excess of bond payments.</i>			
Capital Improvement fund	\$ 468,430	\$ 326,057	\$ 142,373
<i>The Capital Improvement total fund balance increased during the year due to a transfer in from the general fund.</i>			
2025 Street Project	\$ 650,738	\$ -	\$ 650,738
<i>The 2025 street project fund increased due to bond proceeds in excess of the project costs.</i>			

**Proprietary Fund.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows.

	<u>Ending Net Position 2025</u>	<u>Ending Net Position 2024</u>	<u>Increase/ (Decrease)</u>
Water fund	\$ 1,476,436	\$ 1,656,897	\$ (180,461)
<i>The increase primarily is attributed to capital contributions.</i>			
Sewer fund	\$ 7,082,234	\$ 7,113,743	\$ (31,509)
<i>The increase primarily is attributed to positive operating activity and a capital contribution.</i>			

## General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 4,037,745	\$ 4,037,745	\$ 4,613,201	\$ 575,456
Expenditures	<u>4,044,745</u>	<u>4,044,745</u>	<u>4,523,995</u>	<u>(479,250)</u>
Excess of Revenues Over Expenditures	<u>(7,000)</u>	<u>(7,000)</u>	<u>89,206</u>	<u>96,206</u>
Other Financing Sources (Uses)				
Insurance recoveries	2,000	2,000	6,315	4,315
Transfers in	5,000	5,000	5,000	-
Transfers out	-	-	(111,701)	(111,701)
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>(100,386)</u>	<u>(107,386)</u>
Net Change in Fund Balances	-	-	(11,180)	(11,180)
Fund Balances, January 1	<u>2,175,801</u>	<u>2,175,801</u>	<u>2,175,801</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,175,801</u>	<u>\$ 2,175,801</u>	<u>\$ 2,164,621</u>	<u>\$ (11,180)</u>

The City's General fund budget was not amended during the year. The budget called for no change in fund balance. Total revenues show a positive budget variance due to intergovernmental revenues being greater than expected. The expenditures show a negative budget variance primarily due to higher public safety costs. Both of these variances are primarily related to flooding that occurred in 2024 that resulted in FEMA funding and more public safety costs. In addition, the Fire Department had a higher than expected call volume and unanticipated vehicle maintenance costs.

## Capital Asset and Debt Administration

**Capital Assets.** The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below. This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is shown in the table below.

Significant asset additions that occurred during the year are as follows:

- Motorola APX 8000 Radio (1) – Ambulance
- Motorola APX 8000 Radio (3) - Public Works
- WW SCADA System Upgrades (2025)
- 2025 Ford Ultramedic Road Rescue
- Bobcat UW56
- Fire Hall Expansion
- Skate Park
- 2023 Street Project (Street)
- 2023 Street Project (Water)
- 2023 Street Project (Sewer)
- Addition of a new project – 2025 Street Project

Significant asset disposals that occurred during the year are as follows:

- Sale of Bobcat Toolcat UW56

**City of Wabasha's Capital Assets**  
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 756,707	\$ 756,707	\$ -	\$ -	\$ -	\$ -
Buildings	3,083,546	2,756,619	326,927	-	-	-
Improvements Other than Buildings	414,880	183,811	231,069	-	-	-
Machinery and Equipment	936,058	737,760	198,298	183,838	184,969	(1,131)
Infrastructure	14,485,292	11,357,009	3,128,283	11,296,505	6,995,024	4,301,481
Construction in Progress	216,119	4,081,382	(3,865,263)	615,109	4,584,801	(3,969,692)
<b>Total</b>	<b>\$ 19,892,602</b>	<b>\$ 19,873,288</b>	<b>\$ 19,314</b>	<b>\$ 12,095,452</b>	<b>\$ 11,764,794</b>	<b>\$ 330,658</b>

Additional information on the City's capital assets can be found in Note 3C starting on page 54 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding consisting of a financed purchase agreement, special assessment debt, revenue related debt, a forgivable loan and general obligation debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

**City of Wabasha's Outstanding Debt**

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 4,441,000	\$ 3,571,000	\$ 870,000	\$ -	\$ -	\$ -
Forgivable loans	983,000	-	983,000	96,410	112,693	(16,283)
PFA Loans	-	-	-	4,593,193	4,570,897	22,296
General Obligation Revenue Bonds	-	-	-	1,116,000	91,000	1,025,000
<b>Total</b>	<b>\$ 5,424,000</b>	<b>\$ 3,571,000</b>	<b>\$ 1,853,000</b>	<b>\$ 5,805,603</b>	<b>\$ 4,774,590</b>	<b>\$ 1,031,013</b>

The City's total debt increased during the current fiscal year. The main reason for the increase in overall debt is due to the City taking on additional bonding and loans for the large projects the city is working on.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. There is no outstanding debt at year end that is subject to the limit.

**Currently Known Facts, Decisions, or Conditions**

The City of Wabasha continues to maintain a solid fiscal position while balancing the budget with a levy increase of 9.9% from 2025 to 2026. The levy increase was primarily due to debt for a city-wide street repaving projects for the city's most deteriorated streets, wages, and health insurance.

The housing market in Wabasha continues to be solid with homes selling quickly. Six (6) new home building permits were issued in 2025 and there was \$14.337 million in commercial valuation permits. Majority of the valuation was due to the school renovations and a major's businesses' expansion in Wabasha (California Overland). In addition, St. Elizabeth's Hospital opened a brand-new pharmacy in 2025. There were 125 flat fee permits this year due to many roof replacements after a storm. There is the potential for 14 future lots for future growth.

The City of Wabasha completed the first phase of street reconstruction projects, which made improvements to road throughout the City totaling approximately \$814,000 in 2025. The City installed new downtown wayfinding signs which will help tourists and visitors identify popular amenities. The City also installed a new EV charger to attract visitors as well.

The Wabasha Ambulance Service had its second full year of advanced life support service, and its calls increased by 11% and its revenue was up 20% since last year.

The City and its Port Authority entered the second year of its partnership with the US Army Corps, to move sand off the river and move sand from various locations. The second year of partnership generated \$307,423 in revenues for the Wabasha Port Authority, that is being reinvested into the construction of a barge terminal. This helps control the placement of the sand in the Wabasha community and will generate revenues to invest back into economic development in the City. The Port Authority distribute façade grants to help local businesses improve their exteriors- it totaled \$18,883 and was provided to 5 businesses. The investment generated about \$55,000 in additional investments.

Lodging tax collections continue to be healthy due to the number of visitors to Wabasha. The Wabasha National Eagle Center continues to draw thousands of visitors to Wabasha.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Wabasha, City Hall, City Clerk/Treasurer, 900 Hiawatha Drive East, Wabasha, MN 55981.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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City of Wabasha, Minnesota

Statement of Net Position

December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
<b>Assets</b>				
Cash and temporary investments	\$ 4,913,363	\$ 2,760,728	\$ 7,674,091	\$ 457,501
Receivables				
Taxes	50,788	-	50,788	-
Accounts	20,855	108,192	129,047	-
Special assessments	421,040	10,137	431,177	-
Loans	-	-	-	104,665
Due from component unit	400,000	-	400,000	-
Due from other governments	343,833	59,948	403,781	1,419,914
Inventory	-	1,931	1,931	-
Prepaid items	40,900	5,821	46,721	-
Net pension asset	262,608	-	262,608	-
Capital assets (net of accumulated depreciation)				
Land and construction work in process	972,826	615,109	1,587,935	852,796
Depreciable buildings, property and equipment, net	18,919,776	11,480,343	30,400,119	-
<b>Total Assets</b>	<b>26,345,989</b>	<b>15,042,209</b>	<b>41,388,198</b>	<b>2,834,876</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	914,820	29,278	944,098	-
<b>Liabilities</b>				
Accounts payable	428,318	526,460	954,778	997,628
Accrued interest payable	123,107	17,265	140,372	-
Accrued salaries payable	102,322	8,245	110,567	-
Unearned revenue	-	-	-	-
Due to the primary government	-	-	-	400,000
Noncurrent liabilities				
Due within one year				
Long-term liabilities	416,856	283,962	700,818	-
Due in more than one year				
Long-term liabilities	5,437,704	5,537,867	10,975,571	-
Net pension liability	936,549	80,166	1,016,715	-
<b>Total Liabilities</b>	<b>7,444,856</b>	<b>6,453,965</b>	<b>13,898,821</b>	<b>1,397,628</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	1,206,320	58,852	1,265,172	-
<b>Net Position</b>				
Net investment in capital assets	16,102,340	6,744,740	22,847,080	-
Restricted				
Net pension asset	262,608	-	262,608	-
Debt service	839,184	-	839,184	-
Economic development	-	-	-	1,332,583
Loans	-	-	-	104,665
Library	334,050	-	334,050	-
Police projects	9,293	-	9,293	-
Police forfeiture	2,036	-	2,036	-
Unrestricted	1,060,122	1,813,930	2,874,052	-
<b>Total Net Position</b>	<b>\$ 18,609,633</b>	<b>\$ 8,558,670</b>	<b>\$ 27,168,303</b>	<b>\$ 1,437,248</b>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 771,825	\$ 72,447	\$ 13,607	\$ -
Public safety	2,715,725	830,159	591,938	28,866
Public works	1,558,394	519,449	125,001	70,251
Culture and recreation	815,379	307,263	301,412	-
Economic development	305,705	45,579	-	-
Miscellaneous	37,777	-	-	-
Interest on long-term debt	122,000	-	-	-
Total Governmental Activities	<u>6,326,805</u>	<u>1,774,897</u>	<u>1,031,958</u>	<u>99,117</u>
<b>Business-type Activities</b>				
Water	580,797	431,467	-	157,216
Sewer	787,319	826,039	-	6,361
Total Business-type Activities	<u>1,368,116</u>	<u>1,257,506</u>	<u>-</u>	<u>163,577</u>
Total Primary Government	<u><u>7,694,921</u></u>	<u><u>3,032,403</u></u>	<u><u>1,031,958</u></u>	<u><u>262,694</u></u>
<b>Component Unit</b>				
Port authority	<u>\$ 2,819,403</u>	<u>\$ -</u>	<u>\$ 3,344,962</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Lodging tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (685,771)	\$ -	\$ (685,771)	\$ -
(1,264,762)	-	(1,264,762)	-
(843,693)	-	(843,693)	-
(206,704)	-	(206,704)	-
(260,126)	-	(260,126)	-
(37,777)	-	(37,777)	-
(122,000)	-	(122,000)	-
<u>(3,420,833)</u>	<u>-</u>	<u>(3,420,833)</u>	<u>-</u>
-	7,886	7,886	-
-	45,081	45,081	-
-	52,967	52,967	-
<u>(3,420,833)</u>	<u>52,967</u>	<u>(3,367,866)</u>	<u>-</u>
			<u>525,559</u>
2,416,402	-	2,416,402	61,381
255,869	-	255,869	-
122,215	-	122,215	-
8,489	-	8,489	-
745,179	-	745,179	-
55,698	40,158	95,856	10,936
26	-	26	-
305,095	(305,095)	-	-
<u>3,908,973</u>	<u>(264,937)</u>	<u>3,644,036</u>	<u>72,317</u>
488,140	(211,970)	276,170	597,876
<u>18,121,493</u>	<u>8,770,640</u>	<u>26,892,133</u>	<u>839,372</u>
<u>\$ 18,609,633</u>	<u>\$ 8,558,670</u>	<u>\$ 27,168,303</u>	<u>\$ 1,437,248</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Wabasha, Minnesota

Balance Sheet

Governmental Funds

December 31, 2025

	General	Debt Service	Capital Improvement	2025 Street Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and temporary investments	\$ 1,818,121	\$ 562,114	\$ 513,294	\$ 849,336	\$ 1,170,498	\$ 4,913,363
Receivables						
Taxes	50,788	-	-	-	-	50,788
Accounts	20,855	-	-	-	-	20,855
Special assessments	-	385,904	35,136	-	-	421,040
Due from other funds	22,004	-	-	-	-	22,004
Due from component unit	400,000	-	-	-	-	400,000
Due from other governments	38,411	14,273	7,627	-	283,522	343,833
Prepaid items	39,300	-	-	-	1,600	40,900
<b>Total Assets</b>	<b><u>\$ 2,389,479</u></b>	<b><u>\$ 962,291</u></b>	<b><u>\$ 556,057</u></b>	<b><u>\$ 849,336</u></b>	<b><u>\$ 1,455,620</u></b>	<b><u>\$ 6,212,783</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 74,775	\$ -	\$ 52,491	\$ 198,598	\$ 102,454	\$ 428,318
Accrued salaries payable	99,295	-	-	-	3,027	102,322
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	22,004	22,004
<b>Total Liabilities</b>	<b><u>174,070</u></b>	<b><u>-</u></b>	<b><u>52,491</u></b>	<b><u>198,598</u></b>	<b><u>127,485</u></b>	<b><u>552,644</u></b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - taxes	50,788	-	-	-	-	50,788
Unavailable revenue - special assessments	-	385,904	35,136	-	-	421,040
<b>Total Deferred Inflows of Resources</b>	<b><u>50,788</u></b>	<b><u>385,904</u></b>	<b><u>35,136</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>471,828</u></b>
<b>Fund Balances</b>						
Nonspendable	39,300	-	-	-	1,600	40,900
Restricted	-	576,387	-	650,738	1,328,379	2,555,504
Assigned	-	-	468,430	-	152,508	620,938
Unassigned	2,125,321	-	-	-	(154,352)	1,970,969
<b>Total Fund Balances</b>	<b><u>2,164,621</u></b>	<b><u>576,387</u></b>	<b><u>468,430</u></b>	<b><u>650,738</u></b>	<b><u>1,328,135</u></b>	<b><u>5,188,311</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 2,389,479</u></b>	<b><u>\$ 962,291</u></b>	<b><u>\$ 556,057</u></b>	<b><u>\$ 849,336</u></b>	<b><u>\$ 1,455,620</u></b>	<b><u>\$ 6,212,783</u></b>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2025

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental	\$ 5,188,311
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	31,410,820
Less: accumulated depreciation	(11,518,218)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	262,608
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(430,560)
Bond payable	(4,441,000)
Deferred loan	(983,000)
Net pension liability	(936,549)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	50,788
Special assessments receivable	421,040
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	914,820
Deferred inflows of pension resources	(1,206,320)
Governmental funds do not report a liability for accrued interest until due and payable.	(123,107)
Total Net Position - Governmental Activities	\$ 18,609,633

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2025

	General	Debt Service	Capital Improvement	2025 Street Project	Formerly Major 2023 Street Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 2,059,569	\$ 255,869	\$ 346,934	\$ -		\$ 189,138	\$ 2,851,510
Licenses and permits	96,383	-	-	-		-	96,383
Intergovernmental	1,218,849	-	412,932	-		50,440	1,682,221
Charges for services	1,133,493	-	-	-		3,926	1,137,419
Fines and forfeitures	7,436	-	-	-		4,270	11,706
Special assessments	-	87,180	11,563	-		-	98,743
Interest on investments	31,623	8,593	7,048	-		8,434	55,698
Contributions and donations	-	-	-	-		432,929	432,929
Miscellaneous	65,848	-	114,228	-		-	180,076
<b>Total Revenues</b>	<b>4,613,201</b>	<b>351,642</b>	<b>892,705</b>	<b>-</b>		<b>689,137</b>	<b>6,546,685</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	770,875	-	6,467	-		-	777,342
Public safety	2,331,297	-	85,109	-		5,534	2,421,940
Public works	831,114	-	4,573	-		-	835,687
Culture and recreation	111,630	-	47,136	-		196,066	354,832
Economic development	-	-	250,958	-		-	250,958
Miscellaneous	37,777	-	-	-		-	37,777
<b>Capital outlay</b>							
General government	2,873	-	1,384	-		-	4,257
Public safety	388,905	-	410,765	-		-	799,670
Public works	48,765	-	58,202	231,849		357,696	696,512
Culture and recreation	759	-	-	-		40,703	41,462
Economic development	-	-	-	-		16,130	16,130
<b>Debt service</b>							
Principal	-	75,000	-	-		-	75,000
Interest and other	-	138,380	-	62,413		496	201,289
<b>Total Expenditures</b>	<b>4,523,995</b>	<b>213,380</b>	<b>864,594</b>	<b>294,262</b>		<b>616,625</b>	<b>6,512,856</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>89,206</b>	<b>138,262</b>	<b>28,111</b>	<b>(294,262)</b>		<b>72,512</b>	<b>33,829</b>
<b>Other Financing Sources (Uses)</b>							
Insurance recoveries	6,315	-	-	-		-	6,315
Transfers in	5,000	-	111,701	-		300,095	416,796
Sale of capital assets	-	-	2,561	-		-	2,561
Loan proceeds	-	-	-	-		983,000	983,000
Bonds issued	-	-	-	945,000		-	945,000
Premium on bonds issued	-	68,779	-	-		-	68,779
Transfers out	(111,701)	-	-	-		-	(111,701)
<b>Total Other Financing Sources (Uses)</b>	<b>(100,386)</b>	<b>68,779</b>	<b>114,262</b>	<b>945,000</b>		<b>1,283,095</b>	<b>2,310,750</b>
<b>Net Change in Fund Balances</b>	<b>(11,180)</b>	<b>207,041</b>	<b>142,373</b>	<b>650,738</b>		<b>1,355,607</b>	<b>2,344,579</b>
Fund Balances , January 1, as previously reported	2,175,801	369,346	326,057	-	(343,269)	315,797	2,843,732
Change to the financial reporting entity Change from major to nonmajor fund	-	-	-	-	343,269	(343,269)	-
Fund Balances, January 1, as adjusted	2,175,801	369,346	326,057	-	-	(27,472)	2,843,732
Fund Balances, December 31	\$ 2,164,621	\$ 576,387	\$ 468,430	\$ 650,738	\$ -	\$ 1,328,135	\$ 5,188,311

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 2,344,579
<p>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.</p>	
Capital outlays	896,443
Depreciation expense	(874,594)
<p>The statement of activities reports gains and losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely the governmental funds do not report any gain or loss on a trade-in of capital assets.</p>	
	(2,535)
<p>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, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	75,000
Debt issued	(945,000)
Forgivable loan proceeds	(983,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	10,510
<p>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.</p>	
Compensated absences	(94,026)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	103,939
Pension revenue	52,601
<p>Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(48,535)
Special assessments	(47,242)
	(95,777)
Change in Net Position - Governmental Activities	\$ 488,140

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2025

	Business-type Activities - Enterprise Funds		
	<b>800</b> Water	<b>810</b> Sewer	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 1,021,427	\$ 1,739,301	\$ 2,760,728
Accounts receivable	42,121	66,071	108,192
Special assessments receivable	-	7,234	7,234
Due from other governments	5,503	54,445	59,948
Prepaid assets	2,555	3,266	5,821
Inventory	1,931	-	1,931
<b>Total Current Assets</b>	<u>1,073,537</u>	<u>1,870,317</u>	<u>2,943,854</u>
<b>Noncurrent Assets</b>			
Special assessments	-	2,903	2,903
<b>Capital assets</b>	5,781,692	13,656,095	19,437,787
Less accumulated depreciation	<u>(1,810,432)</u>	<u>(5,531,903)</u>	<u>(7,342,335)</u>
<b>Total Capital Assets</b> (Net of Accumulated Depreciation)	<u>3,971,260</u>	<u>8,124,192</u>	<u>12,095,452</u>
<b>Total Noncurrent Assets</b>	<u>3,971,260</u>	<u>8,127,095</u>	<u>12,098,355</u>
<b>Total Assets</b>	<u>5,044,797</u>	<u>9,997,412</u>	<u>15,042,209</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>12,031</u>	<u>17,247</u>	<u>29,278</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	232,405	294,055	526,460
Accrued salaries payable	3,566	4,679	8,245
Accrued interest payable	10,230	7,035	17,265
Compensated absences payable	8,113	8,113	16,226
Current portion of financed purchase agreement	-	16,736	16,736
Current portion of bonds payable	165,000	86,000	251,000
<b>Total Current Liabilities</b>	<u>419,314</u>	<u>416,618</u>	<u>835,932</u>
<b>Noncurrent Liabilities</b>			
Financed purchase agreement payable	-	79,674	79,674
Bonds payable	3,102,692	2,355,501	5,458,193
Net pension liability	34,179	45,987	80,166
<b>Total Noncurrent Liabilities</b>	<u>3,136,871</u>	<u>2,481,162</u>	<u>5,618,033</u>
<b>Total Liabilities</b>	<u>3,556,185</u>	<u>2,897,780</u>	<u>6,453,965</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>24,207</u>	<u>34,645</u>	<u>58,852</u>
<b>Net Position</b>			
Net investment in capital assets	997,606	5,747,134	6,744,740
Unrestricted	<u>478,830</u>	<u>1,335,100</u>	<u>1,813,930</u>
<b>Total Net Position</b>	<u>\$ 1,476,436</u>	<u>\$ 7,082,234</u>	<u>\$ 8,558,670</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	<u>800</u> Water	<u>810</u> Sewer	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 428,689	\$ 826,218	\$ 1,254,907
Operating Expenses			
Personal services	137,499	184,842	322,341
Supplies	28,617	106,365	134,982
Contracted services	179,980	10,558	190,538
Repairs and maintenance	85,266	39,721	124,987
Insurance	7,105	7,711	14,816
Utilities	33,485	71,008	104,493
Depreciation	43,268	305,453	348,721
Miscellaneous	8,671	15,413	24,084
Total Operating Expenses	<u>523,891</u>	<u>741,071</u>	<u>1,264,962</u>
Operating Income	<u>(95,202)</u>	<u>85,147</u>	<u>(10,055)</u>
Nonoperating Revenues (Expenses)			
Interest income	16,117	24,041	40,158
Other income	2,778	(179)	2,599
Interest expense and other	(56,906)	(46,248)	(103,154)
Total Nonoperating Revenues (Expenses)	<u>(38,011)</u>	<u>(22,386)</u>	<u>(60,397)</u>
Income Before Contributions and Transfers	(133,213)	62,761	(70,452)
Capital Contributions	157,216	6,361	163,577
Transfers Out	<u>(204,464)</u>	<u>(100,631)</u>	<u>(305,095)</u>
Change in Net Position	(180,461)	(31,509)	(211,970)
Net Position, January 1	<u>1,656,897</u>	<u>7,113,743</u>	<u>8,770,640</u>
Net Position, December 31	<u>\$ 1,476,436</u>	<u>\$ 7,082,234</u>	<u>\$ 8,558,670</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	800 Water	810 Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 428,783	\$ 844,009	\$ 1,272,792
Payments to suppliers, contractors and other governments	(350,767)	(311,957)	(662,724)
Payments to employees	(149,565)	(203,067)	(352,632)
Net Cash Provided by Operating Activities	<u>(71,549)</u>	<u>328,985</u>	<u>257,436</u>
Cash Flows From Noncapital Financing Activities			
Transfers to other funds	<u>(204,464)</u>	<u>(100,631)</u>	<u>(305,095)</u>
Cash Flows From Capital And Related Financing Activities			
Grants received	155,931	-	155,931
Acquisition of capital assets	(95,892)	(202,430)	(298,322)
Special assessments received	1,285	6,361	7,646
Proceeds of PFA loan	157,583	64,713	222,296
Proceeds of revenue bonds	551,719	518,281	1,070,000
Receipt (payment) for interfund loan	(35,068)	35,068	-
Principal paid on long-term debt	(161,000)	(100,283)	(261,283)
Interest paid on long-term debt	(58,390)	(46,562)	(104,952)
Net Cash Used by Capital and Related Financing Activities	<u>516,168</u>	<u>275,148</u>	<u>791,316</u>
Cash Flows From Investing Activities			
Interest received on investments	<u>16,117</u>	<u>24,041</u>	<u>40,158</u>
Net Increase (Decrease) in Cash and Cash Equivalents	256,272	527,543	783,815
Cash and Cash Equivalents, January 1	<u>765,155</u>	<u>1,211,758</u>	<u>1,976,913</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,021,427</u>	<u>\$ 1,739,301</u>	<u>\$ 2,760,728</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (95,202)	\$ 85,147	\$ (10,055)
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	2,778	(179)	2,599
Depreciation	43,268	305,453	348,721
(Increase) decrease in assets			
Accounts receivable	(2,684)	(109)	(2,793)
Deferred pension resources	(750)	(621)	(1,371)
Special assessments receivable	-	18,079	18,079
Due from other governments	(5,503)	(54,028)	(59,531)
Prepaid assets	(356)	(515)	(871)
Inventory	(396)	-	(396)
(Increase) decrease in liabilities			
Accounts payable	(1,388)	(6,638)	(8,026)
Accrued wages payable	439	596	1,035
Compensated absences payable	(2,122)	(2,122)	(4,244)
Net pension liability	(5,516)	(9,305)	(14,821)
Deferred pension resources	(4,117)	(6,773)	(10,890)
Net Cash Provided by Operating Activities	<u>\$ (71,549)</u>	<u>\$ 328,985</u>	<u>\$ 257,436</u>
Noncash Investing, Capital and Financing Activities			
Purchase of capital assets on account	<u>\$ 219,791</u>	<u>\$ 290,540</u>	<u>\$ 510,331</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Wabasha, Minnesota (the City), operates under a home rule charter form of government as defined in the State of Minnesota statutes, which is termed the "Mayor-City Council Plan." The City is governed by an elected Mayor and a six-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. The City has identified the following component unit using the above criteria.

**Port Authority (PA)**

The Port Authority (PA) was created pursuant to *Minnesota statutes* 469.0855, 469.048 through 469.068 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. Two of the seven-member board of commissioners is made up of City Council members while all members are appointed by the mayor. The Port Authority's governing body does not have substantively the same board as the City, has no outstanding debt issued through the City, and does not provide services entirely to the City. Thus, the Port Authority has been reported as a discretely presented component unit. The PA does not prepare separate financial statements. The PA financial statements are included in the report starting on page 100.

**B. Government-wide and Fund Financial Statements**

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Improvement fund* accounts for the resources accumulated and payments made for capital improvements.

The *2025 Street Project fund* accounts for the resources accumulated and payments made for the 2025 Street project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

***Deposits***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

The City has the following recurring fair value measurements as of December 31, 2025:

- U.S Treasury Bills of \$1,274,231 are valued using unadjusted quoted prices for identical assets (Level 1 inputs)
- Brokered certificate of deposits of \$186,271 valued using quoted market prices (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting the League of Minnesota Cities Finance Department at 145 University Avenue West, St. Paul, Minnesota, 55103-2044 or call (651) 281-1200.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Property Taxes***

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

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

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***Inventory***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

<u>Assets</u>	<u>Useful Lives in Years</u>
Land Improvements	15 - 30
Buildings and Improvements	15 - 75
System and Improvements	20 - 60
Office Furniture and Fixtures	3 - 15
Machinery and Equipment	3 - 15
Automotive Equipment	3 - 12

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Sick leave may be accumulated and sixty percent of the balance is paid out upon termination. The General fund is typically used to liquidate governmental compensated absences payable.

***Long-term Obligations***

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

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

***Pensions***

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

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Wabasha Firefighters' Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension asset.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEFPF) and the Wabasha Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEFPF		
City's proportionate share	\$ 54,953	\$ 103,951	\$ (5,727)	\$ 153,177
Proportionate share of State's contribution	(272)	2,102	-	1,830
<b>Total pension expense</b>	<b>\$ 54,681</b>	<b>\$ 106,053</b>	<b>\$ (5,727)</b>	<b>\$ 155,007</b>

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

**Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as due from other funds.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's 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 constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40 to 60 percent of budgeted tax revenue for cash-flow timing needs.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in following three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Library special revenue fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30<sup>th</sup>, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget must be prepared and adopted no later than December 31<sup>st</sup>.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level. The City made no budget amendments in 2025.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 4,044,745	\$ 4,523,995	\$ 479,250

The excess expenditures were funded by revenues in excess of budget.

**C. Deficit Fund Equity**

As of December 31, 2025, the following funds reported deficit fund equity:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
TIF 9 Alleghany Apartments	\$ 22,004
2023 Street Project	65,154
Highway 60 Reroute	67,194

The deficits are expected to be eliminated with future revenues related to tax collections and transfers from other funds.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

*Minnesota statutes* require that all City deposits be protected by insurance, surety bond or collateral. The fair market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully 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 year end, the City’s carrying amount of deposits was \$3,962,444 and the bank balance was \$4,070,864. Of the bank balance, \$250,000 was covered by federal depository insurance and the rest was covered by pledged collateral.

A reconciliation of cash as shown on the statement of net position for the City is as follows:

	Primary Government
Carrying Amount of Deposits	\$ 3,962,444
Investments	4,168,998
Cash on Hand	150
Total	\$ 8,131,592
Primary Government	
Cash and temporary investments	\$ 7,674,091
Discretely Presented Component Unit	
Port Authority	457,501
Total	\$ 8,131,592

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amounts	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M fund	N/A	Less than 6 months	\$ 2,693,902	\$ -	\$ -	\$ -
Broker money market	N/A	Less than 6 months	14,594	-	-	-
Non-pooled Investments at Fair Value						
U.S. Treasury bills	N/A	Less than 1 year	1,274,231	1,274,231	-	-
Brokered certificates of deposit	N/A	Less than 1 year	186,271	-	186,271	-
Total Investments			<u>\$ 4,168,998</u>	<u>\$ 1,274,231</u>	<u>\$ 186,271</u>	<u>\$ -</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A indicates not applicable or available.

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

- **Credit Risk.** This 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 and the City's investment policy limit the City's investments to the list on page 48 of the notes.
- **Custodial Credit Risk.** This is the risk that, in the event of the 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. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- **Interest Rate Risk.** This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City will also not invest in securities, other than money-market funds, without a fixed maturity date and fixed interest or discount rate.
- **Concentration of Credit Risk.** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer. The City's investments are exempt from consideration of concentration of credit risk.

**B. Receivables**

**Loans Receivable**

The Port Authority has made loans to local businesses that qualify for the Minnesota small cities development program. The businesses pay varying installments on the loans. The loans balances at year end totaled \$104,665.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 756,707	\$ -	\$ -	\$ 756,707
Construction in progress	4,081,382	517,714	(4,382,977)	216,119
Total Capital Assets, not Being Depreciated	<u>4,838,089</u>	<u>517,714</u>	<u>(4,382,977)</u>	<u>972,826</u>
Capital Assets Being Depreciated				
Buildings	6,106,010	465,074	-	6,571,084
Machinery and equipment	3,583,528	438,492	(71,882)	3,950,138
Infrastructure	15,549,852	3,672,439	-	19,222,291
Land improvements	449,017	245,464	-	694,481
Total Capital Assets Being Depreciated	<u>25,688,407</u>	<u>4,821,469</u>	<u>(71,882)</u>	<u>30,437,994</u>
Less Accumulated Depreciation				
Buildings	(3,349,391)	(138,147)	-	(3,487,538)
Machinery and equipment	(2,845,768)	(177,896)	9,584	(3,014,080)
Infrastructure	(4,192,843)	(544,156)	-	(4,736,999)
Land improvements	(265,206)	(14,395)	-	(279,601)
Total Accumulated Depreciation	<u>(10,653,208)</u>	<u>(874,594)</u>	<u>9,584</u>	<u>(11,518,218)</u>
Total Capital Assets Being Depreciated, Net	<u>15,035,199</u>	<u>3,946,875</u>	<u>(62,298)</u>	<u>18,919,776</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,873,288</u>	<u>\$ 4,464,589</u>	<u>\$ (4,445,275)</u>	<u>\$ 19,892,602</u>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Construction in progress	\$ 4,584,801	\$ 623,782	\$ (4,593,474)	\$ 615,109
Capital Assets Being Depreciated				
Machinery and equipment	\$ 773,420	\$ 55,597	\$ -	\$ 829,017
Infrastructure	13,400,187	4,593,474	-	17,993,661
Total Capital Assets Being Depreciated	14,173,607	4,649,071	-	18,822,678
Less Accumulated Depreciation				
Machinery and equipment	(588,451)	(56,728)	-	(645,179)
Infrastructure	(6,405,163)	(291,993)	-	(6,697,156)
Total Accumulated Depreciation	(6,993,614)	(348,721)	-	(7,342,335)
Total Capital Assets Being Depreciated, Net	7,179,993	4,300,350	-	11,480,343
Business-type Activities Capital Assets, Net	\$ 11,764,794	\$ 4,924,132	\$ (4,593,474)	\$ 12,095,452
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Unit Activities</b>				
Capital Assets not Being Depreciated				
Construction in progress	\$ 516,573	\$ 336,223	\$ -	\$ 852,796
Depreciation expense was charged to functions/programs of the City as follows:				
<b>Governmental Activities</b>				
General government				\$ 5,140
Public safety				99,873
Public works				271,597
Culture and recreation				459,367
Economic development				38,617
Total Depreciation Expense - Governmental Activities				\$ 874,594
<b>Business-type Activities</b>				
Water				\$ 43,268
Sewer				305,453
Total Depreciation Expense - Business-type Activities				\$ 348,721

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Construction Commitments

The City has active construction projects as of December 31, 2025. At year end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
2025 Street Project	\$ 851,523	\$ 1,237,092

**D. Interfund Receivables, Payables, and Transfers**

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

Receivable Fund	Payable Fund	Amount
General	Port Authority - Component Unit	\$ 400,000
General	Other Governmental Funds	22,004
Total		\$ 422,004

The interfund receivable balances in the General and Sewer funds were used to cover project costs.

The composition of interfund transfers for the year ending December 31, 2025 is as follows:

- Budgeted transfers of \$2,500 were made from the Water fund and Sewer fund to the General fund for administrative costs.
- A transfer of \$111,701 was made from the General fund to the Capital Improvement fund for public safety aid expenditures.
- The Water and Sewer fund transferred \$201,964 and \$98,131, respectively to the 2023 street project fund to allocate costs based on final pay applications and PFA funding.

**E. Long-term Debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary fund if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds Series 2019A	\$ 500,000	3.00 %	08/20/19	02/01/30	\$ 271,000
G.O. Improvement Bonds Series 2023A	3,250,000	4.00	02/01/23	02/01/44	3,225,000
G.O. Improvement Bonds Series 2025A	2,015,000	4.00	10/21/25	02/04/42	<u>945,000</u>
Total G.O. Improvement Bonds					<u><u>\$ 4,441,000</u></u>

Requirement to maturity for general obligation improvement bonds follows:

Year Ending December 31,	<b>G.O. Improvement Bonds</b> Governmental Activities		
	Principal	Interest	Total
2026	\$ 191,000	\$ 199,054	\$ 390,054
2027	243,000	166,208	409,208
2028	254,000	156,914	410,914
2029	261,000	147,235	408,235
2030	277,000	137,218	414,218
2031 - 2035	1,220,000	543,309	1,763,309
2036 - 2040	1,105,000	307,411	1,412,411
2041 - 2044	<u>890,000</u>	<u>81,084</u>	<u>971,084</u>
Total	<u><u>\$ 4,441,000</u></u>	<u><u>\$ 1,738,433</u></u>	<u><u>\$ 6,179,433</u></u>

General Obligation Revenue Bonds

The following bonds were issued to finance improvements to the water and sewer system. They will be repaid with revenue generated from the system:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds 2015A	\$ 405,000	2.70 %	10/30/15	02/01/26	\$ 46,000
G.O. Revenue Bonds Series 2025A	107,000	4.00	10/21/25	02/01/42	<u>1,070,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 1,116,000</u></u>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Requirement to maturity for general obligation revenue bonds follows:

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2026	\$ 46,000	\$ 621	\$ 46,621
2027	45,000	41,897	86,897
2028	50,000	39,986	89,986
2029	55,000	37,915	92,915
2030	55,000	35,737	90,737
2031 - 2035	310,000	142,791	452,791
2036 - 2040	380,000	74,289	454,289
2041 - 2042	175,000	7,116	182,116
<b>Total</b>	<b>\$ 1,116,000</b>	<b>\$ 380,352</b>	<b>\$ 1,496,352</b>

Public Facilities Authority Loans

The following loans were issued to the city for the construction of Water and Sewer related upgrades via the Minnesota Public Facilities Authority.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
PFA Loan - Clean Water Revolving Fund	\$ 2,005,565	0.40 - 2.00 %	10/04/23	08/20/43	\$ 1,923,220
PFA Loan - Drinking Water Revolving Fund	2,779,811	3.00	10/04/23	08/20/43	<u>2,669,973</u>
Total G.O. Improvement Bonds					<u>\$ 4,593,193</u>

Requirements to maturity for each PFA loan is as follows:

Year Ending December 31,	<b>PFA Loan</b> CWRF		
	Principal	Interest	Total
2026	\$ 86,000	\$ 42,210	\$ 128,210
2027	88,000	40,280	128,280
2028	90,000	38,305	128,305
2029	92,000	36,285	128,285
2030	94,000	34,221	128,221
2031 - 2035	502,000	138,545	640,545
2036 - 2040	561,000	79,617	640,617
2041 - 2043	410,220	16,628	426,848
<b>Total</b>	<b>\$ 1,923,220</b>	<b>\$ 426,091</b>	<b>\$ 2,349,311</b>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Year Ending December 31,	PFA Loan DWRP		
	Principal	Interest	Total
2026	\$ 119,000	\$ 58,434	\$ 177,434
2027	122,000	55,763	177,763
2028	124,000	53,026	177,026
2029	127,000	50,243	177,243
2030	130,000	47,393	177,393
2031 - 2035	695,000	191,862	886,862
2036 - 2040	777,000	110,270	887,270
2041 - 2043	575,973	23,068	599,041
<b>Total</b>	<b>\$ 2,669,973</b>	<b>\$ 590,059</b>	<b>\$ 3,260,032</b>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Net Operating Revenues	\$ 428,689	\$ 826,218
Principal and Interest	219,390	146,845
Percentage of Revenues	51%	18%

Financed Purchase Agreement

The City has entered into a financed purchase agreement for the purchase of equipment. The lease agreement qualifies as a financed purchase agreement for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Jetter Truck	\$ 167,500	2.75 %	05/13/21	05/13/31	<u>\$ 96,410</u>

Annual debt service requirements to maturity for financed purchase agreement are as follows:

Year Ending December 31,	Financed Purchase Agreement Business-type Activities		
	Principal	Interest	Total
2026	\$ 16,736	\$ 2,441	\$ 19,177
2027	17,202	1,975	19,177
2028	17,681	1,496	19,177
2029	18,174	1,004	19,178
2030	18,680	498	19,178
2031	7,937	55	7,992
<b>Total</b>	<b>\$ 96,410</b>	<b>\$ 7,469</b>	<b>\$ 103,879</b>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Deferred Loan

The City has entered into a deferred loan program with Minnesota Housing Finance Agency (MHFA). Under this agreement the City will receive funds that are passed through to the developers of Alleghany Apartments. The loan carries a zero percent interest rate. Upon completion of the construction period which is the later of January 1, 2028 or any extension agreed to with MHFA the loan is expected to be fully forgiven. As of December 31, 2025 the balance of the loan is \$983,000.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
General obligation					
improvement bonds	\$ 3,571,000	\$ 945,000	\$ (75,000)	\$ 4,441,000	\$ 191,000
Deferred loan	-	983,000	-	983,000	-
Compensated Absences Payable*	336,534	94,026	-	430,560	225,856
	<u>\$ 3,907,534</u>	<u>\$ 2,022,026</u>	<u>\$ (75,000)</u>	<u>\$ 5,854,560</u>	<u>\$ 416,856</u>
Governmental Activities Long-term Liabilities					
	<u>\$ 3,907,534</u>	<u>\$ 2,022,026</u>	<u>\$ (75,000)</u>	<u>\$ 5,854,560</u>	<u>\$ 416,856</u>
<b>Business-type Activities</b>					
Bonds Payable					
General obligations					
revenue bonds	\$ 91,000	\$ 1,070,000	\$ (45,000)	\$ 1,116,000	\$ 46,000
PFA loans	4,570,897	222,296	(200,000)	4,593,193	205,000
Financed Purchase Agreement	112,693	-	(16,283)	96,410	16,736
Compensated Absences Payable*	20,470	-	(4,244)	16,226	16,226
	<u>\$ 4,795,060</u>	<u>\$ 1,292,296</u>	<u>\$ (265,527)</u>	<u>\$ 5,821,829</u>	<u>\$ 283,962</u>
Business-type Activities Long-term Liabilities					
	<u>\$ 4,795,060</u>	<u>\$ 1,292,296</u>	<u>\$ (265,527)</u>	<u>\$ 5,821,829</u>	<u>\$ 283,962</u>

\* Change in compensated absences shown net of increase/decrease

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2025, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (Committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Capital Improvement	2025 Street Project	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 39,300	\$ -	\$ -	\$ -	\$ 1,600	\$ 40,900
Restricted						
Debt service	-	576,387	-	650,738	-	1,227,125
Police	-	-	-	-	9,293	9,293
Library	-	-	-	-	334,050	334,050
Police forfeitures	-	-	-	-	2,036	2,036
Alleghany Apartments	-	-	-	-	983,000	983,000
Subtotal	-	576,387	-	650,738	1,328,379	2,555,504
Assigned						
Capital projects	-	-	468,430	-	152,508	620,938
Unassigned	2,125,321	-	-	-	(154,352)	1,970,969
<b>Total</b>	<b>\$ 2,164,621</b>	<b>\$ 576,387</b>	<b>\$ 468,430</b>	<b>\$ 650,738</b>	<b>\$ 1,328,135</b>	<b>\$ 5,188,311</b>

## **Note 4: Defined Benefit Pension Plans - Statewide**

### **A. Plan Description**

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

#### General Employees Retirement Plan (General Plan)

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

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

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

### **B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

#### General Employee Plan Benefits

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

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

**C. Contributions**

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$106,243. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$129,016. The City's contributions were equal to the required contributions as set by state statute.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$490,810 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,840.

City's proportionate share of the net pension liability	\$	490,810
State of Minnesota's proportionate share of the net pension liability associated with the City		11,840
<b>Total</b>	<b>\$</b>	<b>502,650</b>

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 0.0148% at the end of the measurement period and 0.0148% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$9,893 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$1,816 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City reported 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	\$ 46,763	\$ -
Changes in actuarial assumptions	11,826	112,934
Net difference between projected and actual investment earnings	-	195,298
Changes in proportion	37,486	-
Employer contributions subsequent to the measurement date	54,713	-
<b>Total</b>	<b>\$ 150,788</b>	<b>\$ 308,232</b>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$54,713 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:

2026		\$	(36,229)
2027			(73,905)
2028			(67,136)
2029			(34,887)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$525,905 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 0.0449% at the end of the measurement period and 0.0432% 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 \$18,230.

City’s proportionate share of the net pension liability	\$	525,905
State of Minnesota’s proportionate share of the net pension liability associated with the City		18,230
<b>Total</b>	<b>\$</b>	<b>544,135</b>

For the year ended December 31, 2025, the City recognized pension expense of \$120,573 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$8,821 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s contribution of \$9 million to the Police and Fire 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 \$4,040 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.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 242,985	\$ -
Changes in actuarial assumptions	398,805	658,938
Net difference between projected and actual earnings on investments	-	234,719
Changes in proportion	38,453	9,872
Employer contributions subsequent to the measurement date	64,513	-
<b>Total</b>	<b>\$ 744,756</b>	<b>\$ 903,529</b>

The \$64,513 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:

2026	\$ 132,164
2027	(107,780)
2028	(255,248)
2029	(11,105)
2030	18,683

**E. Long-term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
<b>Total</b>	<b>100.0 %</b>	

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**F. Actuarial Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% 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 & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**G. Discount Rate**

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

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**H. Pension Liability Sensitivity**

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

	<u>1 Percent Decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
General Employees Fund	\$ 1,192,101	\$ 490,810	\$ (78,094)
Police and Fire Fund	1,377,984	525,905	(173,785)

**I. Pension Plan Fiduciary Net Position**

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

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the Wabasha Fire Department (the Department) are covered by a defined benefit plan administered by the Wabasha Firefighters' Relief Association (the Association). As of December 31, 2024, the plan covered 30 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

**B. Benefits Provided**

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$45,287 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2025 were \$45,287. The City's contributions were equal to the required contributions as set by state statute. The City made \$0 in voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**D. Pension Costs**

At December 31, 2025, the City reported a net pension asset of \$262,608 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 Department. The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a-b)
Beginning Balance January 1, 2024	\$ 558,201	\$ 738,257	\$ (180,056)
Changes for the Year			
Service cost	19,156	-	19,156
Interest	36,085	-	36,085
Gain or loss	(1,789)	50,544	(52,333)
Contributions - state	-	43,368	(43,368)
Projected investment return	-	47,333	(47,333)
Administrative expense	-	(5,241)	5,241
Total Changes	<u>53,452</u>	<u>136,004</u>	<u>(82,552)</u>
Ending Balance December 31, 2024	<u>\$ 611,653</u>	<u>\$ 874,261</u>	<u>\$ (262,608)</u>

For the year ended December 31, 2025, the City recognized pension expense of \$31,531.

At December 31, 2025, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 18,144
Changes in Actuarial Assumptions	3,267	8,449
Net Difference Between Projected and Actual Earnings on Plan Investments	-	26,818
Contributions to Plan Subsequent to the Measurement Date	<u>45,287</u>	<u>-</u>
Total	<u>\$ 48,554</u>	<u>\$ 53,411</u>

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

Deferred outflows of resources totaling \$45,287 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2026	\$ (11,399)
2027	(175)
2028	(25,389)
2029	(12,887)
2030	(294)

**E. Actuarial Assumptions**

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

Cost of Living Increases	2.50% per year
Investment Rate of Return	6.25%

There were no changes in actuarial assumptions in 2024.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

**G. Pension Liability Sensitivity**

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.25%)	Current (6.25%)	1 Percent Increase (7.25%)
Defined Benefit Plan	\$ (251,384)	\$ (262,608)	\$ (273,533)

**I. Asset Allocation**

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

City of Wabasha, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

The target allocation and best estimates of arithmetic 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
Equities	62.00 %	7.75 %
Fixed Income	23.00	4.50
Cash	15.00	3.25
Total	100.00 %	

**J. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. The report may be obtained by writing to the Wabasha Firefighters' Relief Association, 113 Hiawatha Dr W, Wabasha, MN 55981.

**Note 6: Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal 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 (IBNRs). The City's management is not aware of any incurred but not reported claims.

**B. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. There was no debt subject to this limit in 2025.

**C. Tax Increment Districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**D. Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2025 was \$685,978. This accounted for 15 percent of General fund revenues.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Wabasha, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2025

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0148 %	\$ 490,810	\$ 11,840	\$ 502,650	\$ 1,341,392	36.6 %	90.8 %
6/30/2024	0.0148	547,108	14,147	561,255	1,226,025	44.6	89.1
6/30/2023	0.0136	760,497	69,306	829,803	1,083,797	70.2	83.1
6/30/2022	0.0136	1,077,124	102,638	1,179,762	1,018,881	105.7	76.7
6/30/2021	0.0134	572,240	55,301	627,541	964,208	59.3	87.0
6/30/2020	0.0133	797,396	77,478	874,874	949,667	84.0	79.1
6/30/2019	0.0126	696,626	70,330	766,956	924,211	75.4	80.2
6/30/2018	0.0128	710,092	76,115	786,207	823,905	86.2	79.5
6/30/2017	0.0101	644,777	-	644,777	650,791	99.1	75.9
6/30/2016	0.0095	771,353	-	771,353	589,865	130.8	68.9

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 106,243	\$ 106,243	\$ -	\$ 1,416,573	7.50 %
12/31/2024	97,575	97,575	-	1,301,006	7.50
12/31/2023	86,905	86,905	-	1,158,739	7.50
12/31/2022	75,915	75,915	-	1,012,195	7.50
12/31/2021	73,880	73,880	-	985,070	7.50
12/31/2020	73,662	73,662	-	982,160	7.50
12/31/2019	68,719	68,719	-	916,259	7.50
12/31/2018	64,880	64,880	-	865,071	7.50
12/31/2017	57,142	57,142	-	761,892	7.50
12/31/2016	46,421	46,421	-	618,944	7.50

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - 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.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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.

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - 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.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - 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 - 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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0449 %	\$ 525,905	\$ 18,230	\$ 544,135	\$ 681,216	77.2 %	91.8 %
6/30/2024	0.0432	567,986	21,651	589,637	597,832	95.0	90.2
6/30/2023	0.0437	754,612	125,708	880,320	574,089	131.4	86.5
6/30/2022	0.0442	1,923,409	341,340	2,264,749	536,512	358.5	70.5
6/30/2021	0.0412	318,020	62,267	380,287	503,603	63.1	93.7
6/30/2020	0.0412	543,060	58,248	601,308	464,511	116.9	87.2
6/30/2019	0.0419	446,068	-	446,068	457,380	97.5	89.3
6/30/2018	0.0389	414,634	-	414,634	394,329	105.1	88.8
6/30/2017	0.0410	553,549	-	553,549	417,821	132.5	85.4
6/30/2016	0.0400	1,605,270	-	1,605,270	387,525	414.2	63.9

**Schedule of Employer's PERA Contributions - Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 129,016	\$ 129,016	\$ -	\$ 728,904	17.70 %
12/31/2024	111,028	111,028	-	627,274	17.70
12/31/2023	103,949	103,949	-	587,283	17.70
12/31/2022	97,355	97,355	-	550,026	17.70
12/31/2021	91,838	91,838	-	518,856	17.70
12/31/2020	85,440	85,440	-	482,712	17.70
12/31/2019	76,922	76,922	-	453,815	16.95
12/31/2018	67,771	67,771	-	418,342	16.20
12/31/2017	67,756	67,756	-	418,246	16.20
12/31/2016	64,909	64,909	-	400,673	16.20

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - Police and Fire Fund**

Changes in Actuarial Assumptions

2025 - 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% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 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. 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 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - 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. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 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 3.0 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 percent to 60 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 post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - Police and Fire Fund (Continued)**

Changes in Plan Provisions

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%. The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 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 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 - 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. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 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 3.0 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 65.0 percent to 60.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total Pension Liability</b>									
Service cost	\$ 19,156	\$ 18,689	\$ 19,317	\$ 18,846	\$ 21,824	\$ 21,292	\$ 16,956	\$ 15,569	\$ 19,588
Interest	36,085	32,835	27,323	24,892	24,492	22,990	24,150	20,385	14,092
Assumption changes	-	-	(8,359)	-	-	-	10,897	-	(20,253)
Plan changes	-	-	-	-	-	-	-	20,595	19,570
Gain or loss	(1,789)	-	(9,073)	-	(18,570)	-	(9,890)	-	(8,520)
Benefit payments	-	-	-	-	(35,000)	-	-	-	(40,000)
<b>Net Change in Total Pension Liability</b>	<u>53,452</u>	<u>51,524</u>	<u>29,208</u>	<u>43,738</u>	<u>(7,254)</u>	<u>44,282</u>	<u>42,113</u>	<u>56,549</u>	<u>(15,523)</u>
<b>Total Pension Liability - January 1</b>	<u>558,201</u>	<u>506,677</u>	<u>477,469</u>	<u>433,731</u>	<u>440,985</u>	<u>396,703</u>	<u>354,590</u>	<u>298,041</u>	<u>313,564</u>
<b>Total Pension Liability - December 31 (a)</b>	<u>\$ 611,653</u>	<u>\$ 558,201</u>	<u>\$ 506,677</u>	<u>\$ 477,469</u>	<u>\$ 433,731</u>	<u>\$ 440,985</u>	<u>\$ 396,703</u>	<u>\$ 354,590</u>	<u>\$ 298,041</u>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ -	\$ -	\$ -	\$ 12,149	\$ 15,217	\$ 17,799	\$ 8,242	\$ 5,942	\$ 18,096
Contributions - state	43,368	33,775	31,570	29,303	28,503	26,713	27,472	26,215	26,362
Projected investment return	47,333	39,539	38,774	32,161	27,068	21,531	23,928	21,215	12,461
Gain or loss	50,544	51,371	(139,124)	56,063	44,861	57,074	(36,634)	(8,613)	23,709
Benefit payments	-	-	-	-	(35,000)	-	-	-	(40,000)
Administrative expense	(5,241)	(4,338)	(5,004)	(4,012)	(4,799)	(4,312)	(3,804)	(5,775)	(4,242)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>136,004</u>	<u>120,347</u>	<u>(73,784)</u>	<u>125,664</u>	<u>75,850</u>	<u>118,805</u>	<u>19,204</u>	<u>38,984</u>	<u>36,386</u>
<b>Plan Fiduciary Net Position - January 1</b>	<u>738,257</u>	<u>617,910</u>	<u>691,694</u>	<u>566,030</u>	<u>490,180</u>	<u>371,375</u>	<u>352,171</u>	<u>313,187</u>	<u>276,801</u>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<u>\$ 874,261</u>	<u>\$ 738,257</u>	<u>\$ 617,910</u>	<u>\$ 691,694</u>	<u>\$ 566,030</u>	<u>\$ 490,180</u>	<u>\$ 371,375</u>	<u>\$ 352,171</u>	<u>\$ 313,187</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<u>\$ (262,608)</u>	<u>\$ (180,056)</u>	<u>\$ (111,233)</u>	<u>\$ (214,225)</u>	<u>\$ (132,299)</u>	<u>\$ (49,195)</u>	<u>\$ 25,328</u>	<u>\$ 2,419</u>	<u>\$ (15,146)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	142.93%	132.26%	121.95%	144.87%	130.50%	111.16%	93.62%	99.32%	105.08%

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

City of Wabasha, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information – Fire Relief Association**

Changes in Actuarial Assumptions

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The discount rate changed from 5.5% to 6.25%

2022 - There were no changes in actuarial assumptions since the previous valuation.

2021 - There were no changes in actuarial assumptions since the previous valuation.

2020 - There were no changes in actuarial assumptions since the previous valuation.

2019 - The discount rate changed from 6.5% to 5.5%.

2018 - There were no changes in actuarial assumptions since the previous valuation.

2017 - The discount rate increased from 4.5% to 6.5%.

2016 - There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

2024 - There were no changes in plan provisions since the previous valuation.

2023 - There were no changes in plan provisions since the previous valuation.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - The Benefit level increased from \$1,600 to \$1,700.

2017 - The Benefit level increased from \$1,500 to \$1,600.

2016 - The Benefit level increased from \$1,400 to \$1,500

City of Wabasha, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2025

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/25	\$ 45,287	\$ 45,287	\$ -
12/31/24	38,368	38,368	-
12/31/23	33,775	33,775	-
12/31/22	30,570	30,570	-
12/31/21	29,303	29,303	-
12/31/20	28,503	28,503	-
12/31/19	26,713	26,713	-
12/31/18	27,472	27,472	-
12/31/17	26,215	26,215	-
12/31/16	26,362	26,362	-

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

City of Wabasha, Minnesota  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 2,059,449	\$ 2,059,569	\$ 120
Licenses and permits	57,775	96,383	38,608
Intergovernmental	811,577	1,218,849	407,272
Charges for services	1,031,425	1,133,493	102,068
Fines and forfeitures	14,000	7,436	(6,564)
Interest on investments	500	31,623	31,123
Miscellaneous	63,019	65,848	2,829
Total Revenues	<u>4,037,745</u>	<u>4,613,201</u>	<u>575,456</u>
Expenditures			
Current			
General government	698,640	770,875	(72,235)
Public safety	2,266,631	2,331,297	(64,666)
Public works	827,753	831,114	(3,361)
Culture and recreation	112,821	111,630	1,191
Miscellaneous	21,000	37,777	(16,777)
Capital outlay	117,900	441,302	(323,402)
Total Expenditures	<u>4,044,745</u>	<u>4,523,995</u>	<u>(479,250)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,000)</u>	<u>89,206</u>	<u>96,206</u>
Other Financing Sources (Uses)			
Insurance recoveries	2,000	6,315	4,315
Transfers in	5,000	5,000	-
Transfers out	-	(111,701)	(111,701)
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>(100,386)</u>	<u>(107,386)</u>
Net Change in Fund Balances	-	(11,180)	(11,180)
Fund Balances, January 1	<u>2,175,801</u>	<u>2,175,801</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,175,801</u>	<u>\$ 2,164,621</u>	<u>\$ (11,180)</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2025

**Notes to the Required Supplemental Information - Budgetary Reporting**

**A. Budgetary Comparison Schedule**

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 4,044,745	\$ 4,523,995	\$ 479,250

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

**C. Summary of Significant Budget Variances**

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Licenses and permits revenue exceeded final budgeted amounts due to more building permit revenue than anticipated. In the current fiscal year there more repairs related to storm damage.
- Charges for services' earnings exceeded final budgeted amounts due to more ambulance revenue than anticipated.
- Intergovernmental earnings exceeded final budgeted amounts due to FEMA funding.

Expenditures

- Public safety expenditures were over final budgeted amounts due to a significant emergency management flood expense. Flooding occurred in the city in 2024 that resulted in FEMA funding.
- General fund expenditures were also over final budgeted amounts due to unanticipated building inspection costs that were offset by more revenue than expected.

**D. Budgetary Compliance**

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Wabasha, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2025

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 348,406	\$ 822,092	\$ 1,170,498
Due from other governments	-	283,522	283,522
Prepaid items	1,600	-	1,600
 Total Assets	 \$ 350,006	 \$ 1,105,614	 \$ 1,455,620
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 102,454	\$ 102,454
Accrued salaries payable	3,027	-	3,027
Due to other funds	-	22,004	22,004
Total Liabilities	3,027	124,458	127,485
<b>Fund Balances</b>			
Nonspendable	1,600	-	1,600
Restricted	345,379	983,000	1,328,379
Assigned	-	152,508	152,508
Unassigned	-	(154,352)	(154,352)
Total Fund Balances	346,979	981,156	1,328,135
 Total Liabilities and Fund Balances	 \$ 350,006	 \$ 1,105,614	 \$ 1,455,620

City of Wabasha, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2025

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 189,138	\$ -	\$ 189,138
Intergovernmental	50,440	-	50,440
Charges for services	3,926	-	3,926
Fines and forfeitures	4,270	-	4,270
Interest on investments	5,844	2,590	8,434
Miscellaneous			
Contributions and donations	25,659	407,270	432,929
Total Revenues	<u>279,277</u>	<u>409,860</u>	<u>689,137</u>
Expenditures			
Current			
Public safety	5,534	-	5,534
Culture and recreation	196,066	-	196,066
Capital outlay			
Public works	-	357,696	357,696
Culture and recreation	34,513	6,190	40,703
Economic development	-	16,130	16,130
Debt service			
Interest and other	-	496	496
Total Expenditures	<u>236,113</u>	<u>380,512</u>	<u>616,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>43,164</u>	<u>29,348</u>	<u>72,512</u>
Other Financing Sources (Uses)			
Loan proceeds	-	983,000	983,000
Transfers in	-	300,095	300,095
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,283,095</u>	<u>1,283,095</u>
Net Change in Fund Balances	<u>43,164</u>	<u>1,312,443</u>	<u>1,355,607</u>
Fund Balances, January 1, as previously reported	303,815	11,982	315,797
Change to the financial reporting entity Change from major to nonmajor fund	<u>-</u>	<u>(343,269)</u>	<u>(343,269)</u>
Fund Balances, January 1, as adjusted	<u>303,815</u>	<u>(331,287)</u>	<u>(27,472)</u>
Fund Balances, December 31	<u>\$ 346,979</u>	<u>\$ 981,156</u>	<u>\$ 1,328,135</u>

City of Wabasha, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2025

	<b>202</b> Special Police	<b>203</b> Police Forfeitures	<b>211</b> Library	Total
<b>Assets</b>				
Cash and temporary investments	\$ 9,293	\$ 2,036	\$ 337,077	\$ 348,406
Prepaid items	-	-	1,600	1,600
<b>Total Assets</b>	<b><u>\$ 9,293</u></b>	<b><u>\$ 2,036</u></b>	<b><u>\$ 338,677</u></b>	<b><u>\$ 350,006</u></b>
<b>Liabilities</b>				
Accrued salaries payable	\$ -	\$ -	\$ 3,027	\$ 3,027
<b>Fund Balances</b>				
Nonspendable	-	-	1,600	1,600
Restricted	9,293	2,036	334,050	345,379
<b>Total Fund Balances</b>	<b><u>9,293</u></b>	<b><u>2,036</u></b>	<b><u>335,650</u></b>	<b><u>346,979</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 9,293</u></b>	<b><u>\$ 2,036</u></b>	<b><u>\$ 338,677</u></b>	<b><u>\$ 350,006</u></b>

City of Wabasha, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2025

	<b>202</b> Special Police	<b>203</b> Police Forfeitures	<b>211</b> Library	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 189,138	\$ 189,138
Intergovernmental	-	-	50,440	50,440
Charges for services	-	-	3,926	3,926
Fines and forfeitures	4,270	-	-	4,270
Interest on investments	158	35	5,651	5,844
Miscellaneous				
Contributions and donations	-	-	25,659	25,659
<b>Total Revenues</b>	<u>4,428</u>	<u>35</u>	<u>274,814</u>	<u>279,277</u>
<b>Expenditures</b>				
Current				
Public safety				
Other services and charges	5,534	-	-	5,534
Culture and recreation				
Personal services	-	-	151,191	151,191
Supplies	-	-	3,235	3,235
Other services and charges	-	-	41,640	41,640
Capital outlay				
Culture and recreation	-	-	34,513	34,513
<b>Total Expenditures</b>	<u>5,534</u>	<u>-</u>	<u>230,579</u>	<u>236,113</u>
<b>Net Change in Fund Balances</b>	(1,106)	35	44,235	43,164
<b>Fund Balances, January 1</b>	<u>10,399</u>	<u>2,001</u>	<u>291,415</u>	<u>303,815</u>
<b>Fund Balances, December 31</b>	<u>\$ 9,293</u>	<u>\$ 2,036</u>	<u>\$ 335,650</u>	<u>\$ 346,979</u>

City of Wabasha, Minnesota  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
Library Special Revenue Fund  
For the Year Ended December 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 189,138	\$ 189,138	\$ 189,138	\$ -
Intergovernmental				
County	50,440	50,440	50,440	-
Charges for services	2,500	2,500	3,926	1,426
Interest on investments	-	-	5,651	5,651
Miscellaneous				
Contributions and donations	-	-	25,659	25,659
Total Revenues	<u>242,078</u>	<u>242,078</u>	<u>274,814</u>	<u>32,736</u>
Expenditures				
Current				
Culture and recreation				
Personal services	167,348	167,348	151,191	16,157
Supplies	2,700	2,700	3,235	(535)
Other services and charges	35,730	35,730	41,640	(5,910)
Capital outlay	36,300	36,300	34,513	1,787
Total Expenditures	<u>242,078</u>	<u>242,078</u>	<u>230,579</u>	<u>11,499</u>
Net Change in Fund Balances	-	-	44,235	44,235
Fund Balances, January 1	<u>291,415</u>	<u>291,415</u>	<u>291,415</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 291,415</u>	<u>\$ 291,415</u>	<u>\$ 335,650</u>	<u>\$ 44,235</u>

City of Wabasha, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2025

	<b>350</b> Wabasha Athletic Complex	<b>355</b> Highway 60 Reroute	<b>384</b> TIF 9 Alleghany Apartments	<b>389</b> 2023 Street Project	<b>390</b> Alleghany Apartments	Total
<b>Assets</b>						
Cash and temporary investments	\$ 152,508	\$ (191,865)	\$ -	\$ (121,551)	\$ 983,000	\$ 822,092
Due from other governments	-	198,522	-	85,000	-	283,522
<b>Total Assets</b>	<b><u>\$ 152,508</u></b>	<b><u>\$ 6,657</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (36,551)</u></b>	<b><u>\$ 983,000</u></b>	<b><u>\$ 1,105,614</u></b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 73,851	\$ -	\$ 28,603	\$ -	\$ 102,454
Due to other funds	-	-	22,004	-	-	22,004
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>73,851</u></b>	<b><u>22,004</u></b>	<b><u>28,603</u></b>	<b><u>-</u></b>	<b><u>124,458</u></b>
<b>Fund Balances</b>						
Restricted	-	-	-	-	983,000	983,000
Assigned	152,508	-	-	-	-	152,508
Unassigned	-	(67,194)	(22,004)	(65,154)	-	(154,352)
<b>Total Fund Balances</b>	<b><u>152,508</u></b>	<b><u>(67,194)</u></b>	<b><u>(22,004)</u></b>	<b><u>(65,154)</u></b>	<b><u>983,000</u></b>	<b><u>981,156</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 152,508</u></b>	<b><u>\$ 6,657</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (36,551)</u></b>	<b><u>\$ 983,000</u></b>	<b><u>\$ 1,105,614</u></b>

City of Wabasha, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2025

	350 Wabasha Athletic Complex	355 Highway 60 Reroute	384 TIF 9 Alleghany Apartments	389 2023 Street Project	390 Alleghany Apartments	Total
<b>Revenues</b>						
Interest on investments	\$ 2,590	\$ -	\$ -	\$ -	\$ -	\$ 2,590
Miscellaneous						
Contributions and donations	138,500	-	-	-	-	138,500
Miscellaneous	-	268,770	-	-	-	268,770
<b>Total Revenues</b>	<u>141,090</u>	<u>268,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,860</u>
<b>Expenditures</b>						
Capital outlay						
Public works	-	335,964	-	21,732	-	357,696
Culture and recreation	6,190	-	-	-	-	6,190
Economic development	-	-	16,130	-	-	16,130
Debt service						
Interest and other	248	-	-	248	-	496
<b>Total Expenditures</b>	<u>6,438</u>	<u>335,964</u>	<u>16,130</u>	<u>21,980</u>	<u>-</u>	<u>380,512</u>
<b>Excess of Revenues Over Expenditures</b>	<u>134,652</u>	<u>(67,194)</u>	<u>(16,130)</u>	<u>(21,980)</u>	<u>-</u>	<u>29,348</u>
<b>Other Financing Sources</b>						
Loan proceeds	-	-	-	-	983,000	983,000
Transfers in	-	-	-	300,095	-	300,095
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,095</u>	<u>983,000</u>	<u>1,283,095</u>
<b>Net Change in Fund Balances</b>	<u>134,652</u>	<u>(67,194)</u>	<u>(16,130)</u>	<u>278,115</u>	<u>983,000</u>	<u>1,312,443</u>
Fund Balances, January 1, as previously reported	17,856	-	(5,874)	-	-	11,982
Change to the financial reporting entity						
Change from major to nonmajor fund	-	-	-	(343,269)	-	(343,269)
Fund Balances, January 1, as adjusted	<u>17,856</u>	<u>-</u>	<u>(5,874)</u>	<u>(343,269)</u>	<u>-</u>	<u>(331,287)</u>
<b>Fund Balances, December 31</b>	<u>\$ 152,508</u>	<u>\$ (67,194)</u>	<u>\$ (22,004)</u>	<u>\$ (65,154)</u>	<u>\$ 983,000</u>	<u>\$ 981,156</u>

City of Wabasha, Minnesota

Debt Service Funds  
 Combining Balance Sheet  
 December 31, 2025

	<b>366</b> 2025 G.O. Street Improvement Bonds	<b>398</b> 2023 G.O. Street Improvement Bonds	<b>399</b> 2019 G.O. Street Improvement Bonds	Total
<b>Assets</b>				
Cash and temporary investments	\$ 68,779	\$ 383,041	\$ 110,294	\$ 562,114
Special assessments receivable	-	358,932	26,972	385,904
Due from other governments	-	13,783	490	14,273
<b>Total Assets</b>	<u>\$ 68,779</u>	<u>\$ 755,756</u>	<u>\$ 137,756</u>	<u>\$ 962,291</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	\$ -	\$ 358,932	\$ 26,972	\$ 385,904
<b>Fund Balances</b>				
Restricted for debt service	<u>68,779</u>	<u>396,824</u>	<u>110,784</u>	<u>576,387</u>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 68,779</u>	<u>\$ 755,756</u>	<u>\$ 137,756</u>	<u>\$ 962,291</u>

City of Wabasha, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2025

	<b>366</b> 2025 G.O. Street Improvement Bonds	<b>398</b> 2023 G.O. Street Improvement Bonds	<b>399</b> 2019 G.O. Street Improvement Bonds	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ 211,594	\$ 44,275	\$ 255,869
Special assessments	-	79,184	7,996	87,180
Interest on investments	-	6,720	1,873	8,593
Total Revenues	<u>-</u>	<u>297,498</u>	<u>54,144</u>	<u>351,642</u>
<b>Expenditures</b>				
Debt service				
Principal	-	25,000	50,000	75,000
Interest and other	-	129,499	8,881	138,380
Total Expenditures	<u>-</u>	<u>154,499</u>	<u>58,881</u>	<u>213,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	142,999	(4,737)	138,262
Other Financing Sources				
Premium on bonds issued	<u>68,779</u>	<u>-</u>	<u>-</u>	<u>68,779</u>
Net Change in Fund Balances	68,779	142,999	(4,737)	207,041
Fund Balances, January 1	<u>-</u>	<u>253,825</u>	<u>115,521</u>	<u>369,346</u>
Fund Balances, December 31	<u>\$ 68,779</u>	<u>\$ 396,824</u>	<u>\$ 110,784</u>	<u>\$ 576,387</u>

City of Wabasha, Minnesota  
 Port Authority  
 (Discretely Presented Component Unit)  
 Balance Sheet  
 December 31, 2025

	<u>200 Port Authority</u>
<b>Assets</b>	
Cash and temporary investments	\$ 457,501
Loans receivable	104,665
Due from other government	<u>1,419,914</u>
Total Assets	<u><u>\$ 1,982,080</u></u>
<b>Liabilities</b>	
Accounts and other payables	\$ 997,628
Due to primary government	<u>400,000</u>
Total Liabilities	<u>1,397,628</u>
<b>Fund Balances</b>	
Restricted for Economic development and loans	<u>584,452</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,982,080</u></u>
Total Fund Balance Reported Above	\$ 584,452
Amounts reported for the port authority in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	<u>852,796</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,437,248</u></u>

City of Wabasha, Minnesota  
Port Authority  
(Discretely Presented Component Unit)  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2025

	<u>200 Port Authority</u>
Revenues	
Taxes	\$ 61,381
Intergovernmental	3,340,496
Interest on investments and loans	10,936
Miscellaneous	
Donations	<u>4,466</u>
Total Revenues	<u>3,417,279</u>
Expenditures	
Current	
Economic development	2,819,403
Capital outlay	
Economic development	<u>336,223</u>
Total Expenditures	<u>3,155,626</u>
Net Change in Fund Balances	261,653
Fund Balances, January 1	<u>322,799</u>
Fund Balances, December 31	<u>\$ 584,452</u>
Net change in fund balance reported above	\$ 261,653
Amounts reported for the port authority in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	<u>336,223</u>
Change in net position - port authority	<u>\$ 597,876</u>

UNAUDITED SCHEDULES

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Wabasha, Minnesota  
Port Authority  
(Discretely Presented Component Unit)  
Unaudited Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2025

	<b>200</b>	<b>201</b>
	<u>Port Authority</u>	<u>Revolving Loan Fund</u>
Revenues		
Taxes	\$ 61,381	\$ -
Intergovernmental	3,340,496	-
Interest on investments and loans	7,596	3,340
Miscellaneous		
Donations	4,466	-
	<u>3,413,939</u>	<u>3,340</u>
Expenditures		
Current		
Economic development	2,819,403	-
Net Change in Fund Balances	258,313	3,340
Fund Balances, January 1	<u>161,656</u>	<u>161,143</u>
Fund Balances, December 31	<u>\$ 419,969</u>	<u>\$ 164,483</u>
Net change in fund balance reported above	\$ 258,313	\$ 3,340
Amounts reported for the port authority in the statement of activities are different because		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	<u>336,223</u>	<u>-</u>
Change in net position - port authority	<u>\$ 594,536</u>	<u>\$ 3,340</u>

City of Wabasha, Minnesota  
 Unaudited Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Library Special Revenue Fund  
 For the Year Ended December 31, 2025

	<b>211</b> General Operating	<b>221</b> Unrestricted Gifts	<b>231</b> Susan Collier Memorial
Revenues			
Property taxes	\$ 189,138	\$ -	\$ -
Intergovernmental			
County	50,440	-	-
Charges for services	3,926	-	-
Interest on investments	4,670	967	14
Miscellaneous			
Contributions and donations	-	25,659	-
Total Revenues	<u>248,174</u>	<u>26,626</u>	<u>14</u>
Expenditures			
Current			
Culture and recreation			
Personal services	151,191	-	-
Supplies	3,235	-	-
Other services and charges	31,053	10,587	-
Capital outlay	33,327	1,186	-
Total Expenditures	<u>218,806</u>	<u>11,773</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,368</u>	<u>14,853</u>	<u>14</u>
Other Financing Sources (Uses)			
Transfers in	9,120	-	-
Transfers out	-	(8,000)	(1,120)
Total Other Financing Sources (Uses)	<u>9,120</u>	<u>(8,000)</u>	<u>(1,120)</u>
Net Change in Fund Balances	38,488	6,853	(1,106)
Fund Balances, January 1	<u>240,276</u>	<u>49,252</u>	<u>1,887</u>
Fund Balances, December 31	<u>\$ 278,764</u>	<u>\$ 56,105</u>	<u>\$ 781</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota  
 Unaudited Schedule of Revenues, Expenses and Changes in Net Position  
 Water Utility Fund  
 For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Totals
	800	801	831	
	Water	Water Base Fee	Well #3 Bond Payment	
Operating Revenues				
Charges for services	\$ 299,029	\$ 129,660	\$ -	\$ 428,689
Operating Expenses				
Personal services	137,499	-	-	137,499
Supplies	28,617	-	-	28,617
Contracted services	179,980	-	-	179,980
Repairs and maintenance	85,266	-	-	85,266
Insurance	7,105	-	-	7,105
Utilities	33,485	-	-	33,485
Depreciation	43,268	-	-	43,268
Miscellaneous	8,671	-	-	8,671
Total Operating Expenses	<u>523,891</u>	<u>-</u>	<u>-</u>	<u>523,891</u>
Operating Income	<u>(224,862)</u>	<u>129,660</u>	<u>-</u>	<u>(95,202)</u>
Nonoperating Revenues (Expenses)				
Grants	155,931	-	-	155,931
Interest income	543	15,574	-	16,117
Other income	2,778	-	-	2,778
Interest expense and other	<u>(56,080)</u>	<u>-</u>	<u>(826)</u>	<u>(56,906)</u>
Total Nonoperating Revenues (Expenses)	<u>103,172</u>	<u>15,574</u>	<u>(826)</u>	<u>117,920</u>
Income Before Contributions and Transfers	(121,690)	145,234	(826)	22,718
Capital Contributions	1,285	-	-	1,285
Transfers Out	<u>(204,464)</u>	<u>-</u>	<u>-</u>	<u>(204,464)</u>
Change in Net Position	(324,869)	145,234	(826)	(180,461)
Net Position, January 1	<u>1,179,765</u>	<u>755,695</u>	<u>(278,563)</u>	<u>1,656,897</u>
Net Position, December 31	<u>\$ 854,896</u>	<u>\$ 900,929</u>	<u>\$ (279,389)</u>	<u>\$ 1,476,436</u>

The notes to the financial statements are an integral part of this statement.

OTHER REQUIRED REPORTS

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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**INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council  
City of Wabasha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wabasha, 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, and have issued our report thereon dated April 8, 2026.

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

This report is intended solely for the information and use of those charged with governance, management, and the State Auditor and is not intended to be and should not be used by anyone other than these specific parties.



**Abdo**  
Minneapolis, Minnesota  
April 8, 2026

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

Honorable Mayor and City Council  
City of Wabasha, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wabasha, 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, and have issued our report thereon dated April 8, 2026.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 entity'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 questioned costs as items 2025-001 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-002 to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards*.

## Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
April 8, 2026



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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF WABASHA  
WABASHA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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

Honorable Mayor and City Council  
City of Wabasha, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Wabasha, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

**Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



**Abdo**  
Minneapolis, Minnesota  
April 8, 2026



**City of Wabasha, Minnesota**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2025**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Administering Department</b>	<b>Federal Program Clusters</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	MN Dept of Rev	\$ 4,042	
State and Community Highway Safety	20.600	MN Dept of Rev	<u>11,100</u>	
Total Highway Safety Cluster				15,142
Port Infrastructure Development Program	20.823	MN Dept of Rev		<u>257,768</u>
<b>Total U.S. Department of Transportation</b>				<u>272,910</u>
<b>U.S. Department of Agriculture</b>				
Community Facilities Loans and Grants	10.766	MN Dept of Revenue		<u>\$ 50,000</u>
<b>U.S. Department of Health and Human Services</b>				
Medical Assistance Program	93.778	MN Dept of Revenue		<u>5,566</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>5,566</u>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant	14.228	MN Dept of Employment and Economic Development		<u>250,771</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>250,771</u>
<b>U.S. Department of Homeland Security</b>				
Disaster Grants - Public Assistance	97.036	Direct		<u>245,757</u>
<b>Total U.S. Department of Homeland Security</b>				<u>245,757</u>
<b>U.S. Department of Defense</b>				
Army Core of Engineers - Dredging Project	12.U01	Army Core of Engineers		<u>2,569,069</u>
<b>Total U.S. Department of Defense</b>				<u>2,569,069</u>
<b>Total Federal Awards</b>				<u>\$ 3,394,073</u>

City of Wabasha, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2025

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wabasha, Minnesota (the City) for the year ended December 31, 2025. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers, if any, are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended December 31, 2025, the City did not elect to use the 15% de minimis indirect cost rate.

City of Wabasha, Minnesota  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2025

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

**Identification of Major Programs/Projects**

	<b>ALN No.</b>
Army Core of Engineers - Dredging Project	12.U001
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 1,000,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

A significant deficiency relating to the audit of the financial statements is reported in the 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*. Finding 2025-001 is being reported as a material weakness and Finding 2025-002 is being reported as a significant deficiency.

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

City of Wabasha, Minnesota  
Schedule of Findings Responses and Questioned Costs (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-001</b>	<b>Material Audit Adjustment relating to Accounts Payable</b>
<i>Condition:</i>	Material audit entries were required to record accounts payable related to the ongoing capital projects.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	The error indicates that the City's system of internal control did not identify a necessary adjustment.
<i>Recommendation:</i>	We recommend that management review pay applications after year-end to verify whether they were for work done during the previous fiscal year.
<i>Management Response:</i>	
	The City is aware of the situation and plans to put additional focus on reviewing each invoice received to ensure it's recorded in the proper accounting period.

City of Wabasha, Minnesota  
Schedule of Findings Responses and Questioned Costs (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-002</b>	<b>Financial Report Preparation</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is the City's responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.