

ANNUAL FINANCIAL REPORT

CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
FOR THE YEAR ENDED DECEMBER 31, 2025

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charlie Miner	Mayor	12/31/26
Jahn Dyvik	Council Member	12/31/26
Todd Newcomer	Council Member	12/31/28
Mike Feldmann	Council Member	12/31/28
Deirdre Kvale	Council Member	12/31/26

APPOINTED

Amanda Nowezki	Finance Director / City Administrator
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FINANCIAL SECTION
CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Long Lake, Minnesota

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City 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). 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 the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions, and the respective budgetary comparison schedules and related note disclosures, starting on page 74 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

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

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



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Minneapolis, Minnesota
March 16, 2026



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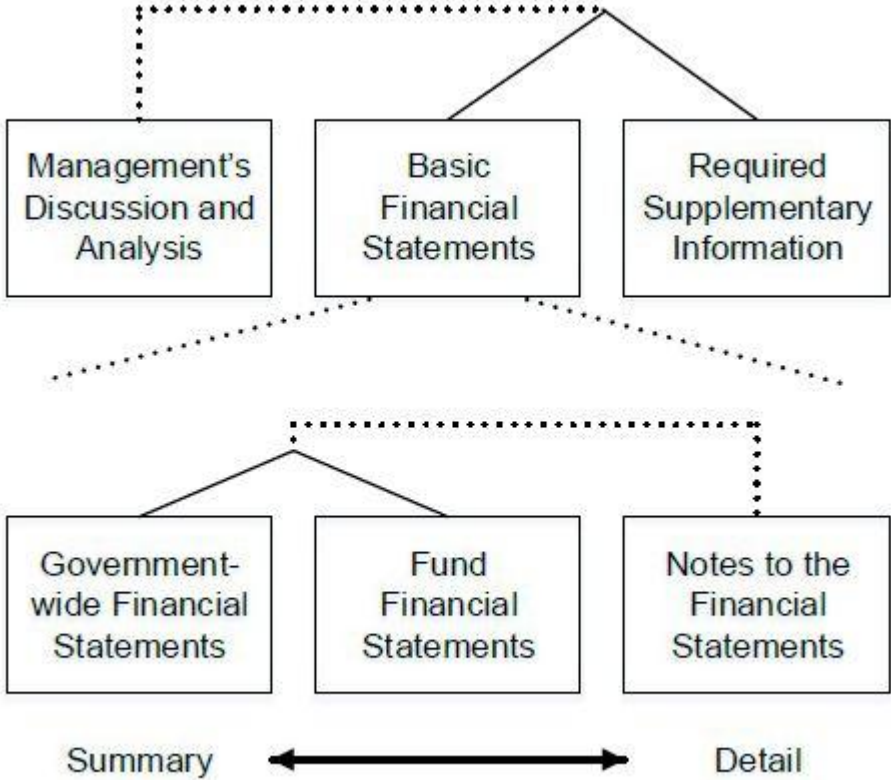
Management's Discussion and Analysis

As management of the City of Long Lake, 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 following chart shows how the required parts of this annual report are arranged and relate to one another.

Organization of the City's Annual Financial Report



The following chart 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.

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
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 in flow/out flow 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, housing and economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include water, sewer, storm sewer, and recycling.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Fire Department, TIF 1-6, Capital Project, and Pavement Management Improvement funds all of 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 City adopts an annual appropriated budget for its General and Fire Department funds. Budgetary comparison schedules have been provided for the General and Fire department funds to demonstrate compliance with this budget.

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

Proprietary Funds. The City maintains one type of proprietary fund. *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, sewer, storm sewer and recycling.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, surface water management and recycling enterprise funds, which are considered to be major funds of the City except for the Recycling fund.

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 statement and accompanying notes, this report also present 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 74 of this report.

Other Information. 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 outflows exceeded liabilities and deferred inflows as indicated 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.

City of Long Lake's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 9,021,127	\$ 8,873,048	\$ 148,079	\$ 2,516,775	\$ 1,953,270	\$ 563,505
Capital assets (net of depreciation)	9,985,402	10,037,530	(52,128)	6,713,189	6,959,616	(246,427)
Total Assets	19,006,529	18,910,578	95,951	9,229,964	8,912,886	317,078
Deferred Outflows of Resources						
Deferred pension resources	386,703	514,250	(127,547)	14,075	10,051	4,024
Liabilities						
Noncurrent liabilities outstanding	705,815	884,642	(178,827)	1,065,049	1,215,567	(150,518)
Other liabilities	157,463	539,226	(381,763)	26,526	26,541	(15)
Total Liabilities	863,278	1,423,868	(560,590)	1,091,575	1,242,108	(150,533)
Deferred Inflows of Resources						
Deferred leases	1,193,682	1,131,796	61,886	-	-	-
Deferred pension resources	628,300	525,560	102,740	25,305	25,464	(159)
Total Deferred Inflows of Resources	1,821,982	1,657,356	164,626	25,305	25,464	(159)
Net Position						
Net investment in capital assets	9,574,472	9,542,766	31,706	5,717,424	5,820,381	(102,957)
Restricted for						
Net pension asset	963,734	566,334	397,400	-	-	-
Debt service	121,625	125,788	(4,163)	-	-	-
Park improvements	72,331	73,253	(922)	-	-	-
Culture and recreation	40,705	27,741	12,964	-	-	-
Economic development	442,715	957,993	(515,278)	-	-	-
Public Safety	-	26,256	(26,256)	-	-	-
Unrestricted	5,492,390	5,023,473	468,917	2,409,735	1,834,984	574,751
Total Net Position	\$ 16,707,972	\$ 16,343,604	\$ 364,368	\$ 8,127,159	\$ 7,655,365	\$ 471,794
Net Position as a Percent of Total						
Net investment in capital assets	57.3 %	58.4 %		70.3 %	76.0 %	
Restricted	9.8	10.9		-	-	
Unrestricted	32.9	30.7		29.7	24.0	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased the City's net position, as shown below. Significant changes from the prior year are noted below:

City of Long Lake's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,567,591	\$ 1,438,619	\$ 128,972	\$ 1,295,306	\$ 1,106,533	\$ 188,773
Operating grants and contributions	513,796	294,791	219,005	4,677	4,455	222
Capital grants and contributions	758	350	408	8,931	17,496	(8,565)
General Revenues						
Taxes						
Property taxes	1,711,976	1,578,496	133,480	287,272	-	287,272
Tax increments	292,659	324,469	(31,810)	-	-	-
Grants and contributions not restricted to specific programs	-	2,845	(2,845)	-	-	-
Unrestricted investment earnings	283,692	313,054	(29,362)	78,638	87,697	(9,059)
Gain on sale of capital assets	39,300	-	39,300	-	-	-
Total Revenues	4,409,772	3,952,624	457,148	1,674,824	1,216,181	458,643
Expenses						
General government	565,415	638,356	(72,941)	-	-	-
Public safety	1,876,957	1,746,886	130,071	-	-	-
Public works	698,911	750,094	(51,183)	-	-	-
Culture and recreation	44,503	62,909	(18,406)	-	-	-
Economic development	849,640	164,154	685,486	-	-	-
Interest on long-term debt	9,978	12,115	(2,137)	-	-	-
Water	-	-	-	407,881	346,199	61,682
Sewer	-	-	-	634,111	379,311	254,800
Surface water management	-	-	-	82,554	49,327	33,227
Recycling	-	-	-	78,484	47,976	30,508
Total Expenses	4,045,404	3,374,514	670,890	1,203,030	822,813	380,217
Change in Net Position	364,368	578,110	(213,742)	471,794	393,368	78,426
Net Position, January 1	16,343,604	15,765,494	578,110	7,655,365	7,261,997	393,368
Net Position, December 31	\$ 16,707,972	\$ 16,343,604	\$ 364,368	\$ 8,127,159	\$ 7,655,365	\$ 471,794

Key elements of this increase are as follows:

- Increases in operating grants and contributions, particularly related to economic development.
- Increase in public safety expenditures due to additional fire department expenditures.
- Increase in expenses related to economic development due to the TIF decertification.

Increases in operating grants and contributions

The operating grants and contributions for economic development increased due to a TIF reimbursement from the county.

Increase in public safety expenditures

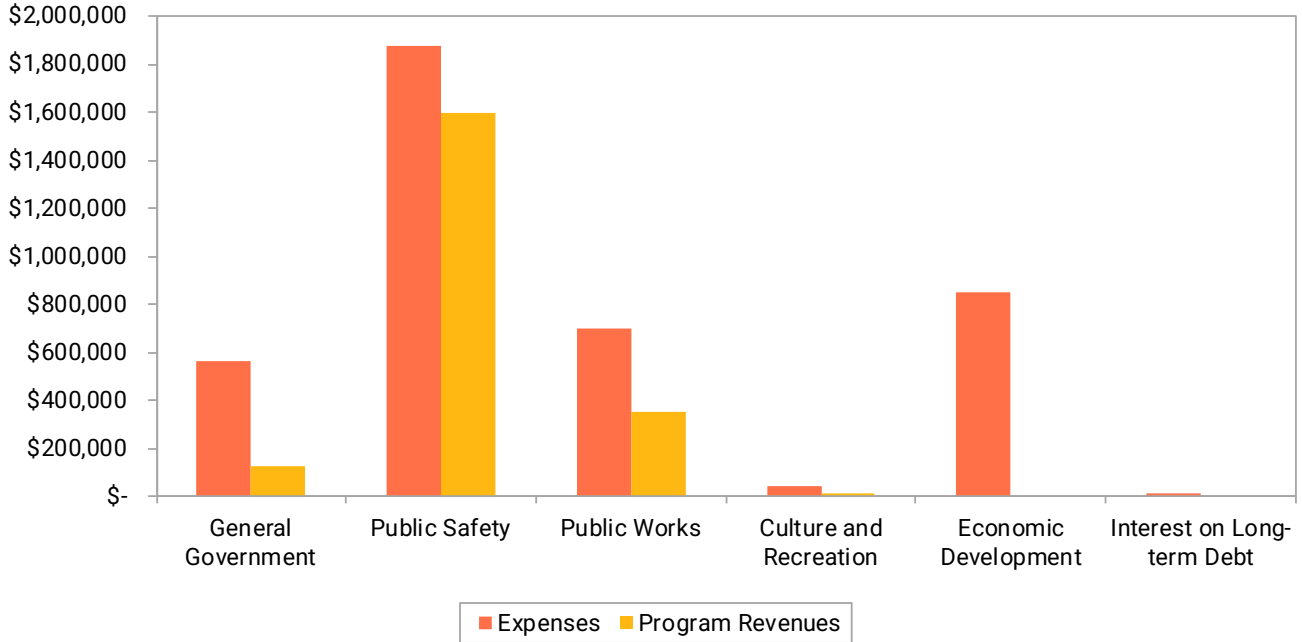
Increase due to fire and police service needs.

Increase in expenses related to economic development

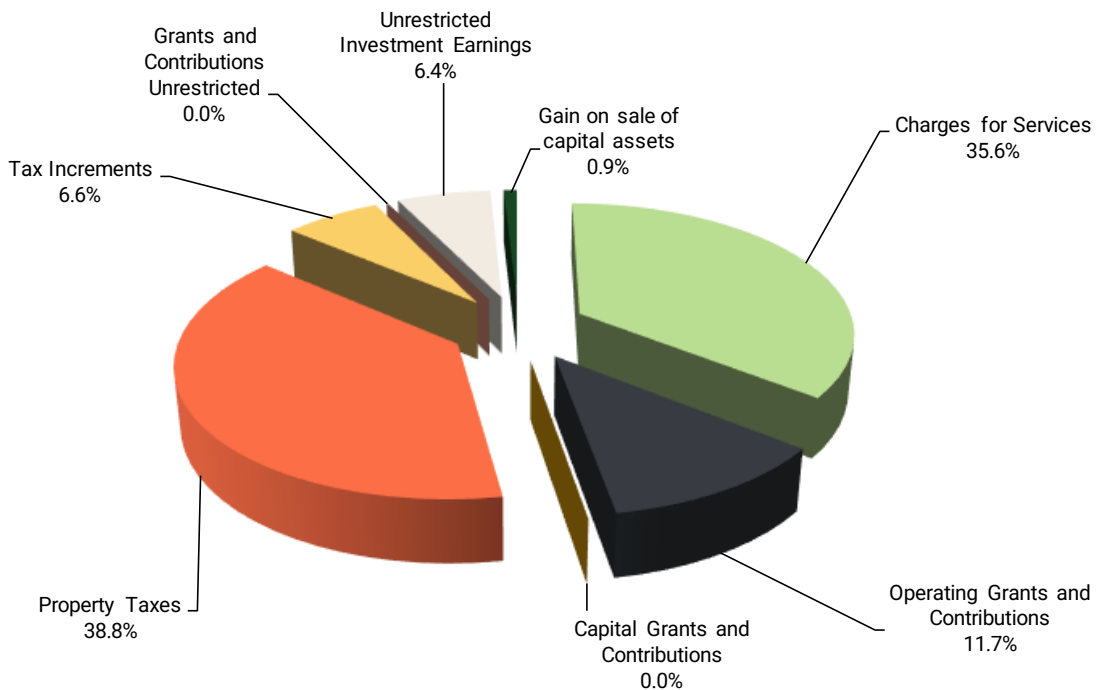
Economic development expenses increased due to a large payment to Hennepin county for decertify TIF 1-6. Note that the city has identified eligible expenditures within the TIF district and the fund will remain open for those costs.

The following graph depicts various governmental activities and shows program revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



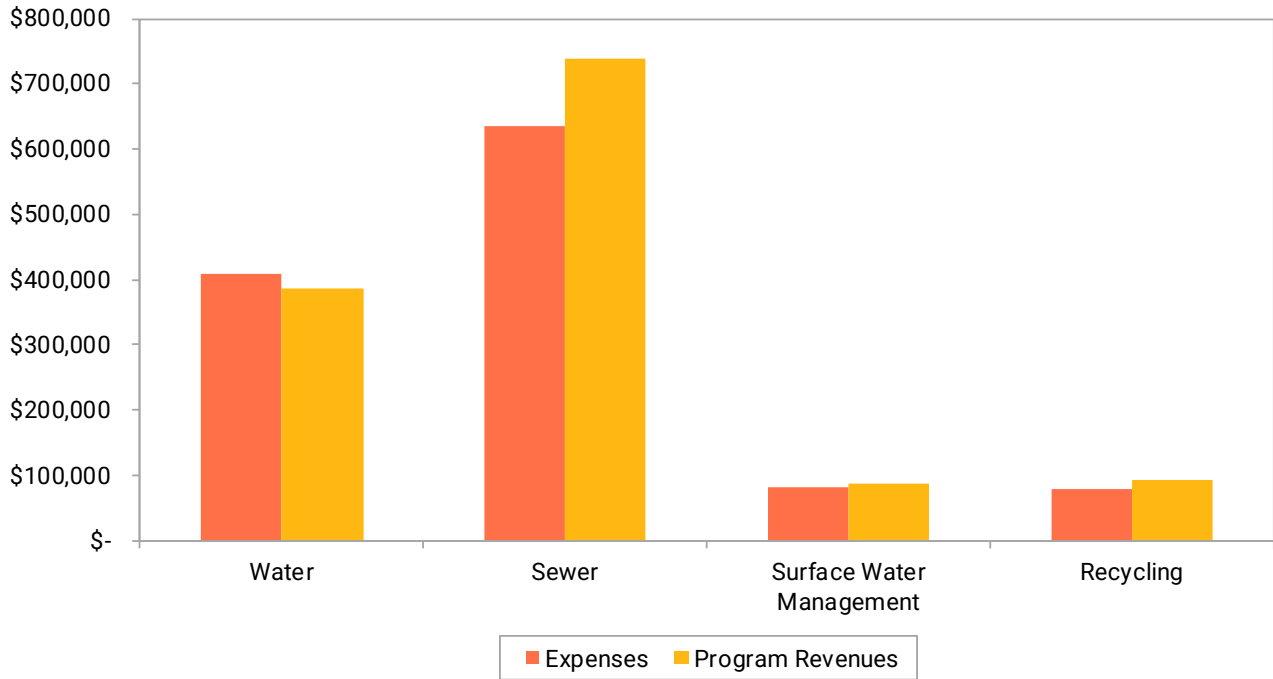
Revenues by Source - Governmental Activities



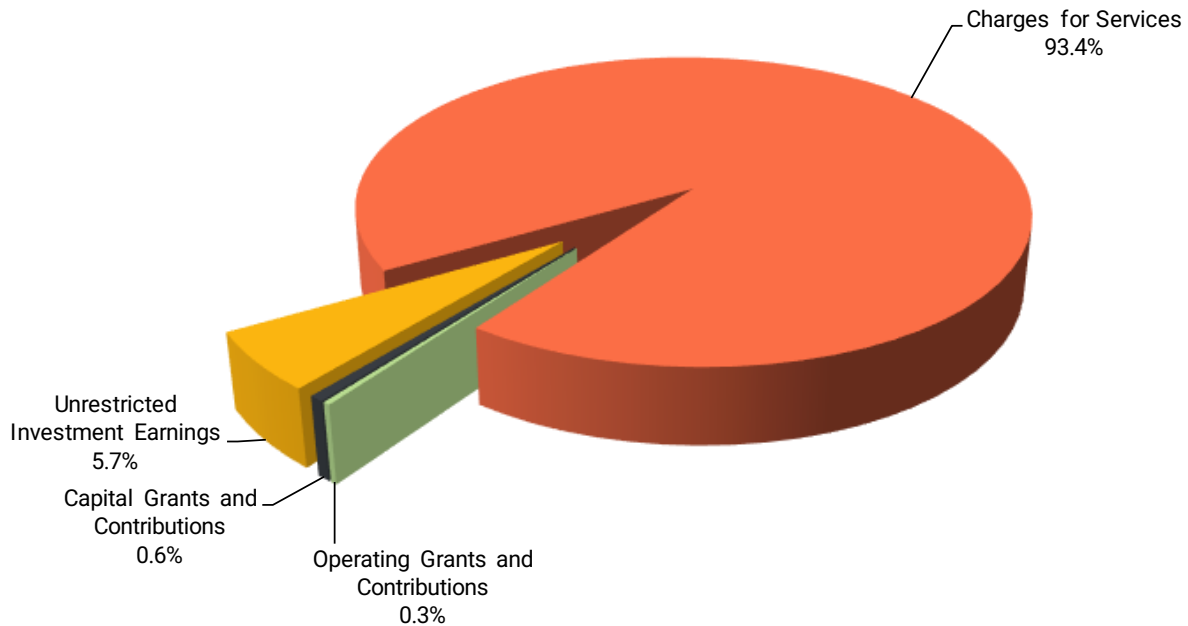
Business-type Activities. Business-type activities increased the City’s net position, as shown in the changes in net position table. The majority of the increase is due to charges for services rate increases in all business areas. Key elements of this increase are as follows:

- Charges for services for business-type activities increased due to a change in rate structure needed to fund the MCES fees.
- Water expenses for business-type activities increased due to various expenses related to water utilities and repairs.
- Sewer expenses increased mainly due to MCES Sewer Treatment costs and cleaning sewer line costs.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City'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 City'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	Fire Department	TIF 1-6	Capital Project	Pavement Management Improvement	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances									
Nonspendable	\$ 78,569	\$ -	\$ -	\$ -	\$ 26,245	\$ -	\$ 104,814	\$ 83,370	\$ 21,444
Restricted	-	-	391,116	-	-	282,587	673,703	1,199,917	(526,214)
Committed	-	246,716	-	-	-	87,692	334,408	238,719	95,689
Assigned	37,414	-	-	3,756,747	469,921	33,715	4,297,797	4,240,130	57,667
Unassigned	1,269,710	-	-	-	-	-	1,269,710	835,544	434,166
	<u>\$ 1,385,693</u>	<u>\$ 246,716</u>	<u>\$ 391,116</u>	<u>\$ 3,756,747</u>	<u>\$ 496,166</u>	<u>\$ 403,994</u>	<u>\$ 6,680,432</u>	<u>\$ 6,597,680</u>	<u>\$ 82,752</u>

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

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 above. As a measure of the General fund's liquidity, it may be useful to compare unassigned 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.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 78,569	\$ 59,190	\$ 19,379
Assigned	37,414	108,086	(70,672)
Unassigned	1,269,710	835,544	434,166
	<u>\$ 1,385,693</u>	<u>\$ 1,002,820</u>	<u>\$ 382,873</u>
General Fund expenditures	\$ 1,498,918	\$ 1,798,726	
Unassigned as a percent of expenditures	84.7%	46.5%	
Total Fund Balance as a percent of expenditures	92.4%	55.8%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to positive budget variances for revenues.

Other major governmental fund analysis is shown below:

Other Major Governmental Funds	Fund Balance December 31,		Increase (Decrease)
	2025	2024	
<i>Fire Department</i> The increase in fund balance is due to positive revenue budget variances from reimbursements	\$ 246,716	\$ 159,596	\$ 87,120
<i>Capital Project</i> The increase in fund balance is due to investment earnings and no expenditures in the current year	\$ 3,756,747	\$ 3,602,544	\$ 154,203
<i>TIF 1-6</i> The decrease in fund balance is due the TIF being decertified in 2025.	\$ 391,116	\$ 945,524	\$ (554,408)
<i>Pavement Management Improvement</i> The increase in fund balance is due to franchise fee and lease revenue in excess of expenditures	\$ 496,166	\$ 398,233	\$ 97,933

Proprietary Funds. The City's proprietary funds provide 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:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water Utility Increase in net position due to nonoperating revenues	\$ 4,557,673	\$ 4,524,353	\$ 33,320
Sewer Utility Increase in net position due to increase in usage and rates	\$ 2,654,752	\$ 2,246,603	\$ 408,149
Surface Water Management Increase in net position due to increase in rates and investment earnings	\$ 884,595	\$ 869,740	\$ 14,855

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 in the capital assets table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset events during the current fiscal year included the following:

- City Hall Roof and Side Wall replacement
- 2025 Street Improvement Project
- Purchase of SCBA equipment
- HVAC replacements for Fire house
- Purchase of CET Brush Truck with modifications
- Purchase of Three ton straight cool condenser and cabinet

**City of Long Lake's Capital Assets
(Net of Depreciation)**

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
	Land	\$ 2,681,949	\$ 2,681,949	\$ -	\$ -	\$ -	\$ -	\$ 2,681,949	\$ 2,681,949
Construction in Progress	-	-	-	44,823	44,823	-	44,823	44,823	-
Buildings	3,073,090	3,168,183	(95,093)	220,273	232,273	(12,000)	3,293,363	3,400,456	(107,093)
Machinery and Equipment	1,101,323	1,010,871	90,452	33,952	54,409	(20,457)	1,135,275	1,065,280	69,995
Infrastructure	3,129,040	3,176,527	(47,487)	6,414,141	6,628,111	(213,970)	9,543,181	9,804,638	(261,457)
Total	\$ 9,985,402	\$ 10,037,530	\$ (52,128)	\$ 6,713,189	\$ 6,959,616	\$ (246,427)	\$ 16,698,591	\$ 16,997,146	\$ (298,555)
Percent increase (decrease)			-0.5%			-3.5%			-1.8%

Additional information on the City's capital assets can be found in Note 2C 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 as shown below. They are all backed by the full faith and credit of the City.

City of Long Lake's Outstanding Debt

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
	G.O. Improvement Bonds	\$ 399,100	\$ 480,950	\$ (81,850)	\$ 975,900	\$ 1,114,050	\$ (138,150)	\$ 1,375,000
Bond Premium	11,830	13,814	(1,984)	35,648	40,968	(5,320)	\$ 47,478	\$ 54,782
Total	\$ 410,930	\$ 494,764	\$ (83,834)	\$ 1,011,548	\$ 1,155,018	\$ (143,470)	\$ 1,422,478	\$ 1,649,782
Percent increase (decrease)			-16.9%			-12.4%		

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City does not have any debt applicable to this limit.

Additional information on the City's long-term debt can be found in Note 2E starting on page 56 of this report.

Currently Known Facts, Decisions, or Conditions

- Unexpected staffing changes at both Public Works and City Hall will impact multiple budget line items, including wages, insurance, and workers' compensation premiums.
- Inflationary trends in the region are extremely high including the national indices.
- Recommendation of a 3% cost of living wage increase for all city staff.
- Implementation of the MN Paid Leave program, a new payroll tax of 0.88%, which will be split evenly between the City and the employee, with each paying 0.44%.
- Establishment of a more robust Capital Improvement Program to better anticipate and plan for fleet replacements, facility maintenance, and infrastructure projects.

- Per the JPA, the Shoreline Fire Department will begin service on January 1, 2026. Based on the allocation formula, the City of Long Lake will be responsible for 14.58% of all operating and capital costs, resulting in a 90% budget increase.

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 Administrator, City of Long Lake, 450 Virginia Avenue, Long Lake, MN 55356.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Long Lake, Minnesota
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 6,587,398	\$ 2,139,598	\$ 8,726,996
Receivables			
Taxes	33,312	-	33,312
Accounts	48,523	89,905	138,428
Lease Receivable	1,298,496	-	1,298,496
Special assessments	8,204	-	8,204
Due from other governments	81,460	287,272	368,732
Net pension asset	963,734	-	963,734
Capital assets			
Land and construction in progress	2,681,949	44,823	2,726,772
Depreciable assets (net of accumulated depreciation)	7,303,453	6,668,366	13,971,819
Total Assets	<u>19,006,529</u>	<u>9,229,964</u>	<u>28,236,493</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>386,703</u>	<u>14,075</u>	<u>400,778</u>
Liabilities			
Accrued salaries payable	22,310	3,388	25,698
Accounts payable	66,107	6,377	72,484
Deposits payable	16,812	-	16,812
Due to other governments	9,828	4,390	14,218
Accrued interest payable	4,531	12,371	16,902
Unearned revenue	37,875	-	37,875
Noncurrent liabilities			
Due within one year			
Long-term liabilities	107,428	143,959	251,387
Due in more than one year			
Long-term liabilities	340,916	878,151	1,219,067
Net pension liability	257,471	42,939	300,410
Total Liabilities	<u>863,278</u>	<u>1,091,575</u>	<u>1,954,853</u>
Deferred Inflows of Resources			
Deferred lease resources	1,193,682	-	1,193,682
Deferred pension resources	628,300	25,305	653,605
Total Deferred Inflows	<u>1,821,982</u>	<u>25,305</u>	<u>1,847,287</u>
Net Position			
Net investment in capital assets	9,574,472	5,717,424	15,291,896
Restricted for			
Net pension asset	963,734	-	963,734
Debt service	121,625	-	121,625
Park improvements	72,331	-	72,331
Culture and recreation	40,705	-	40,705
Economic development	442,715	-	442,715
Unrestricted	<u>5,492,390</u>	<u>2,409,735</u>	<u>7,902,125</u>
Total Net Position	<u>\$ 16,707,972</u>	<u>\$ 8,127,159</u>	<u>\$ 24,835,131</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 565,415	\$ 122,337	\$ 67	\$ -
Public safety	1,876,957	1,126,994	470,649	-
Public works	698,911	317,870	29,458	758
Culture and recreation	44,503	390	13,622	-
Economic development	849,640	-	-	-
Interest on long-term debt	9,978	-	-	-
Total Governmental Activities	<u>4,045,404</u>	<u>1,567,591</u>	<u>513,796</u>	<u>758</u>
Business-type Activities				
Water	407,881	382,082	-	5,681
Sewer	634,111	736,072	-	3,250
Surface water management	82,554	88,614	-	-
Recycling	78,484	88,538	4,677	-
Total Business-type Activities	<u>1,203,030</u>	<u>1,295,306</u>	<u>4,677</u>	<u>8,931</u>
Total	<u>\$ 5,248,434</u>	<u>\$ 2,862,897</u>	<u>\$ 518,473</u>	<u>\$ 9,689</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Unrestricted investment earnings

Gain on sale of capital assets

Total General Revenues

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 (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (443,011)	\$ -	\$ (443,011)
(279,314)	-	(279,314)
(350,825)	-	(350,825)
(30,491)	-	(30,491)
(849,640)	-	(849,640)
(9,978)	-	(9,978)
<u>(1,963,259)</u>	<u>-</u>	<u>(1,963,259)</u>
-	(20,118)	(20,118)
-	105,211	105,211
-	6,060	6,060
-	14,731	14,731
<u>-</u>	<u>105,884</u>	<u>105,884</u>
<u>\$ (1,963,259)</u>	<u>\$ 105,884</u>	<u>\$ (1,857,375)</u>
1,624,446	287,272	1,911,718
87,530	-	87,530
292,659	-	292,659
283,692	78,638	362,330
39,300	-	39,300
<u>2,327,627</u>	<u>365,910</u>	<u>2,693,537</u>
364,368	471,794	836,162
<u>16,343,604</u>	<u>7,655,365</u>	<u>23,998,969</u>
<u>\$ 16,707,972</u>	<u>\$ 8,127,159</u>	<u>\$ 24,835,131</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Long Lake, Minnesota

Balance Sheet

Governmental Funds

December 31, 2025

	101	205	385	401	420	Other	Total
	General	Fire Department	TIF 1-6	Capital Project	Pavement Management Improvement	Governmental Funds	Governmental Funds
Assets							
Cash and temporary investments	\$ 1,376,041	\$ 189,329	\$ 391,116	\$ 3,756,747	\$ 421,602	\$ 452,563	\$ 6,587,398
Receivables							
Taxes	33,312	-	-	-	-	-	33,312
Accounts	-	204	-	-	48,319	-	48,523
Lease	970,780	-	-	-	327,716	-	1,298,496
Special assessments	-	-	-	-	-	8,204	8,204
Due from other governments	-	81,460	-	-	-	-	81,460
Total Assets	\$ 2,380,133	\$ 270,993	\$ 391,116	\$ 3,756,747	\$ 797,637	\$ 460,767	\$ 8,057,393
Liabilities							
Accrued salaries payable	\$ 11,268	\$ 11,042	\$ -	\$ -	\$ -	\$ -	\$ 22,310
Accounts payable	13,184	4,354	-	-	-	48,569	66,107
Deposits payable	16,812	-	-	-	-	-	16,812
Due to other governments	947	8,881	-	-	-	-	9,828
Unearned revenue	37,875	-	-	-	-	-	37,875
Total Liabilities	80,086	24,277	-	-	-	48,569	152,932
Deferred Inflows of Resources							
Unavailable revenue - delinquent taxes	22,143	-	-	-	-	-	22,143
Unavailable revenue - special assessments	-	-	-	-	-	8,204	8,204
Deferred lease resources	892,211	-	-	-	301,471	-	1,193,682
Total Deferred Inflows of Resources	914,354	-	-	-	301,471	8,204	1,224,029
Fund Balances							
Nonspendable	78,569	-	-	-	26,245	-	104,814
Restricted	-	-	391,116	-	-	282,587	673,703
Committed	-	246,716	-	-	-	87,692	334,408
Assigned	37,414	-	-	3,756,747	469,921	33,715	4,297,797
Unassigned	1,269,710	-	-	-	-	-	1,269,710
Total Fund Balances	1,385,693	246,716	391,116	3,756,747	496,166	403,994	6,680,432
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,380,133	\$ 270,993	\$ 391,116	\$ 3,756,747	\$ 797,637	\$ 460,767	\$ 8,057,393

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

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

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

Total Fund Balances - Governmental Funds	\$ 6,680,432
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	20,829,302
Less: accumulated depreciation	(10,843,900)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	963,734
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year end consist of	
Compensated absences payable	(37,414)
Bond principal payable and unamortized premium	(410,930)
Net pension liability	(257,471)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	22,143
Special assessments receivable	8,204
Governmental funds do not report a liability for accrued interest until due and payable.	
	(4,531)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	386,703
Deferred inflows of resources	(628,300)
	(241,597)
Total Net Position - Governmental Activities	\$ 16,707,972

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

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

	101	205	385	401	420	Other	Total
	General	Fire Department	TIF 1-6	Capital Project	Pavement Management Improvement	Governmental Funds	Governmental Funds
Revenues							
Taxes							
Property	\$ 1,629,201	\$ -	\$ -	\$ -	\$ -	\$ 87,530	\$ 1,716,731
Tax increments	-	-	184,728	-	-	107,931	292,659
Licenses and permits	145,439	-	-	-	-	-	145,439
Intergovernmental	-	198,577	-	-	17,054	-	215,631
Charges for services	101,660	1,039,090	-	-	282,629	-	1,423,379
Fines and forfeitures	13,133	-	-	-	-	-	13,133
Special assessments	-	-	-	-	-	8,888	8,888
Investment earnings	41,021	-	40,146	154,203	19,906	28,416	283,692
Miscellaneous	11,337	6,860	-	-	-	99,908	118,105
Total Revenues	<u>1,941,791</u>	<u>1,244,527</u>	<u>224,874</u>	<u>154,203</u>	<u>319,589</u>	<u>332,673</u>	<u>4,217,657</u>
Expenditures							
Current							
General government	623,681	-	-	-	-	-	623,681
Public safety	521,069	1,090,760	-	-	-	-	1,611,829
Public works	324,127	-	-	-	-	-	324,127
Culture and recreation	23,663	-	-	-	-	2,102	25,765
Economic development	-	-	779,282	-	-	185	779,467
Capital outlay							
General government	3,378	-	-	-	-	-	3,378
Public safety	-	105,947	-	-	-	250,861	356,808
Public works	3,000	-	-	-	221,656	59,820	284,476
Economic development	-	-	-	-	-	70,173	70,173
Debt service							
Principal	-	-	-	-	-	81,850	81,850
Interest and other	-	-	-	-	-	12,651	12,651
Total Expenditures	<u>1,498,918</u>	<u>1,196,707</u>	<u>779,282</u>	<u>-</u>	<u>221,656</u>	<u>477,642</u>	<u>4,174,205</u>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	<u>442,873</u>	<u>47,820</u>	<u>(554,408)</u>	<u>154,203</u>	<u>97,933</u>	<u>(144,969)</u>	<u>43,452</u>
Other Financing Sources (Uses)							
Sale of capital assets	-	39,300	-	-	-	-	39,300
Transfers in	-	-	-	-	-	60,000	60,000
Transfers out	(60,000)	-	-	-	-	-	(60,000)
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>39,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>39,300</u>
Net Change in Fund Balances							
	382,873	87,120	(554,408)	154,203	97,933	(84,969)	82,752
Fund Balances, January 1							
	<u>1,002,820</u>	<u>159,596</u>	<u>945,524</u>	<u>3,602,544</u>	<u>398,233</u>	<u>488,963</u>	<u>6,597,680</u>
Fund Balances, December 31							
	<u>\$ 1,385,693</u>	<u>\$ 246,716</u>	<u>\$ 391,116</u>	<u>\$ 3,756,747</u>	<u>\$ 496,166</u>	<u>\$ 403,994</u>	<u>\$ 6,680,432</u>

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

City of Long Lake, 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	\$	82,752
<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 outlay		484,820
Depreciation expense		(536,948)
<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.</p>		
Principal repayments		81,850
Amortization of bond premium		1,984
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds 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>		
		689
<p>Certain revenues are recognized as soon as they are 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>		
Special assessments		(8,130)
Property taxes		(4,755)
<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		70,672
<p>Long-term pension activity is not reported in governmental funds.</p>		
Pension expense		25,734
Pension revenue from State contributions		165,700
		165,700
Change in Net Position - Governmental Activities	\$	364,368

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

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

	Business-type Activities - Enterprise Funds				
	601	602	603	Nonmajor 604	Total
	Water	Sewer	Surface Water Management	Recycling	
Assets					
Current Assets					
Cash and temporary investments	\$ 1,403,029	\$ 487,360	\$ 222,089	\$ 27,120	\$ 2,139,598
Accounts receivable	24,202	51,024	7,307	7,372	89,905
Due from other governments	-	287,272	-	-	287,272
Total Current Assets	<u>1,427,231</u>	<u>825,656</u>	<u>229,396</u>	<u>34,492</u>	<u>2,516,775</u>
Noncurrent Assets					
Capital assets					
Construction work in progress	31,465	12,467	891	-	44,823
Buildings	627,000	152,704	-	-	779,704
Infrastructure	5,757,495	4,159,505	1,017,825	-	10,934,825
Machinery and equipment	538,602	124,699	-	-	663,301
Less accumulated depreciation	<u>(3,117,565)</u>	<u>(2,288,998)</u>	<u>(302,901)</u>	<u>-</u>	<u>(5,709,464)</u>
Total Noncurrent Assets	<u>3,836,997</u>	<u>2,160,377</u>	<u>715,815</u>	<u>-</u>	<u>6,713,189</u>
Total Assets	<u>5,264,228</u>	<u>2,986,033</u>	<u>945,211</u>	<u>34,492</u>	<u>9,229,964</u>
Deferred Outflows of Resources					
Deferred pension resources	<u>5,197</u>	<u>4,155</u>	<u>4,723</u>	<u>-</u>	<u>14,075</u>
Liabilities					
Current Liabilities					
Accrued salaries payable	1,392	1,091	905	-	3,388
Accounts payable	5,709	668	-	-	6,377
Accrued interest payable	8,050	3,804	517	-	12,371
Due to other governments	37	-	-	4,353	4,390
Current portion of compensated absences payable	2,323	1,743	1,743	-	5,809
Current portion of bonds payable	<u>76,420</u>	<u>50,180</u>	<u>11,550</u>	<u>-</u>	<u>138,150</u>
Total Current Liabilities	<u>93,931</u>	<u>57,486</u>	<u>14,715</u>	<u>4,353</u>	<u>170,485</u>
Noncurrent Liabilities					
Compensated absences payable	1,901	1,426	1,426	-	4,753
Net pension liability	15,894	12,412	14,633	-	42,939
Bonds payable	<u>589,846</u>	<u>256,233</u>	<u>27,319</u>	<u>-</u>	<u>873,398</u>
Total Noncurrent Liabilities	<u>607,641</u>	<u>270,071</u>	<u>43,378</u>	<u>-</u>	<u>921,090</u>
Total Liabilities	<u>701,572</u>	<u>327,557</u>	<u>58,093</u>	<u>4,353</u>	<u>1,091,575</u>
Deferred Inflows of Resources					
Deferred pension resources	<u>10,180</u>	<u>7,879</u>	<u>7,246</u>	<u>-</u>	<u>25,305</u>
Net Position					
Net investment in capital assets	3,181,810	1,858,354	677,260	-	5,717,424
Unrestricted	<u>1,375,863</u>	<u>796,398</u>	<u>207,335</u>	<u>30,139</u>	<u>2,409,735</u>
Total Net Position	<u>\$ 4,557,673</u>	<u>\$ 2,654,752</u>	<u>\$ 884,595</u>	<u>\$ 30,139</u>	<u>\$ 8,127,159</u>

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

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

	Business-type Activities - Enterprise Funds				Total
	601	602	603	Nonmajor 604	
	Water	Sewer	Surface Water Management	Recycling	
Operating Revenues					
Charges for services	\$ 379,576	\$ 736,116	\$ 88,614	\$ 88,538	\$ 1,292,844
Operating Expenses					
Personnel services	73,854	58,206	47,651	-	179,711
Supplies	59,507	6,479	-	-	65,986
Professional services	12,091	29,936	1,497	4,353	47,877
Repairs and maintenance	41,086	90,950	9,278	-	141,314
Insurance	3,097	564	-	-	3,661
Utilities	39,714	6,506	-	-	46,220
Depreciation	146,615	76,608	23,204	-	246,427
MCES disposal charges	-	351,225	-	-	351,225
Miscellaneous	16,143	6,373	-	74,131	96,647
Total Operating Expenses	392,107	626,847	81,630	78,484	1,179,068
Operating Income (Loss)	(12,531)	109,269	6,984	10,054	113,776
Nonoperating Revenues (Expenses)					
Property taxes	-	287,272	-	-	287,272
Intergovernmental grant	-	-	-	4,677	4,677
Investment earnings	53,438	15,666	8,795	739	78,638
Other revenue	2,506	(44)	-	-	2,462
Interest expense	(15,774)	(7,264)	(924)	-	(23,962)
Total Nonoperating Revenues (Expenses)	40,170	295,630	7,871	5,416	349,087
Income (Loss) Before Contributions and Transfers	27,639	404,899	14,855	15,470	462,863
Capital Contributions	5,681	3,250	-	-	8,931
Change in Net Position	33,320	408,149	14,855	15,470	471,794
Net Position, January 1	4,524,353	2,246,603	869,740	14,669	7,655,365
Net Position, December 31	\$ 4,557,673	\$ 2,654,752	\$ 884,595	\$ 30,139	\$ 8,127,159

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

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

	Business-type Activities - Enterprise Funds				
	601	602	603	Nonmajor 604	Total
	Water	Sewer	Surface Water Management	Recycling	
Cash Flows from Operating Activities					
Receipts from users	\$ 395,928	\$ 735,604	\$ 88,441	\$ 86,095	\$ 1,306,068
Other receipts	2,506	(44)	-	4,677	7,139
Payments to suppliers	(169,604)	(491,860)	(10,775)	(78,484)	(750,723)
Payments to employees	(78,774)	(61,697)	(51,759)	-	(192,230)
Net Cash Provided (Used) by Operating Activities	<u>150,056</u>	<u>182,003</u>	<u>25,907</u>	<u>12,288</u>	<u>370,254</u>
Cash Flows from Capital and Related Financing Activities					
Capital contributions	5,681	3,250	-	-	8,931
Principal paid on long-term debt	(76,420)	(50,180)	(11,550)	-	(138,150)
Interest paid on long-term debt	(20,178)	(8,995)	(1,043)	-	(30,216)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,917)</u>	<u>(55,925)</u>	<u>(12,593)</u>	<u>-</u>	<u>(159,435)</u>
Cash Flows from Investing Activities					
Interest received	53,438	15,666	8,795	739	78,638
Net Increase (Decrease) in Cash and Cash Equivalents	<u>112,577</u>	<u>141,744</u>	<u>22,109</u>	<u>13,027</u>	<u>289,457</u>
Cash and Cash Equivalents, January 1	<u>1,290,452</u>	<u>345,616</u>	<u>199,980</u>	<u>14,093</u>	<u>1,850,141</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,403,029</u>	<u>\$ 487,360</u>	<u>\$ 222,089</u>	<u>\$ 27,120</u>	<u>\$ 2,139,598</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (12,531)	\$ 109,269	\$ 6,984	\$ 10,054	\$ 113,776
Adjustments to reconcile operating loss to net cash provided (used) by operating activities					
Other income related to operations	2,506	(44)	-	4,677	7,139
Depreciation	146,615	76,608	23,204	-	246,427
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	2,944	(4,135)	(173)	(2,443)	(3,807)
Special assessments receivable	13,408	3,623	-	-	17,031
Deferred pension resources	(1,649)	(1,310)	(1,065)	-	(4,024)
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts payable	2,842	173	-	-	3,015
Accrued salaries payable	(486)	(417)	(385)	-	(1,288)
Due to other governments	(808)	-	-	-	(808)
Compensated absences payable	(3,316)	(2,486)	(2,486)	-	(8,288)
Net pension liability	557	610	73	-	1,240
Deferred pension resources	(26)	112	(245)	-	(159)
Net Cash Provided (Used) by Operating Activities	<u>\$ 150,056</u>	<u>\$ 182,003</u>	<u>\$ 25,907</u>	<u>\$ 12,288</u>	<u>\$ 370,254</u>
Noncash Capital and Related Financing Activities					
Amortization of bond premium	<u>\$ 3,598</u>	<u>\$ 1,558</u>	<u>\$ 164</u>	<u>\$ -</u>	<u>\$ 5,320</u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Long Lake, Minnesota (the City), operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-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.

Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end.

Blended Component Unit. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The EDA is comprised of seven members, five of which are City Council members. Also, the City has operational responsibility of the EDA. It is this criterion that results in the EDA being reported as a blended component unit. The EDA activities are blended and reported in a separate special revenue fund. Separate financial statements are not issued for this component unit.

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. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

City of Long Lake, 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, entitlement 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 *Fire Department fund* accounts for the resources and costs associated with operating costs and capital equipment for the area Fire Department.

The *TIF 1-6 fund* accounts for the costs associated with activities of TIF district 1-6.

The *Capital Project fund* accounts for the costs associated with capital improvements completed within the City.

The *Pavement Management Improvement fund* accounts for the costs associated with pavement improvements completed within the City.

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water distribution operations and ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for costs associated with the City's sanitary sewer treatment system and ensure that user charges are sufficient to pay for those costs.

The *Surface Water Management fund* accounts for costs associated with the City's surface water management system and ensure that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

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's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 and Investments

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 Statements of Cash Flows.

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

The City may 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.
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:

- Government agency securities of \$3,054,888 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$4,464,745 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December 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 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 taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. To the extent considered necessary, 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.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.”

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Lease Receivable

The City’s lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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 and an estimated useful life in excess of one year.

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.

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

Assets	Useful Lives in Years
Buildings	30 - 50
Improvements Other Than Buildings	10 - 50
Machinery and Equipment	5 - 10
Infrastructure	20 - 50

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 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.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which is paid to the employee upon separation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial 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. The General fund is typically used to liquidate governmental compensated absences payable.

	Governmental activities	Business-type activities	Total
Compensated absences	\$ 37,414	\$ 10,562	\$ 47,976

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.

For purposes of measuring the net pension liability (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 Long Lake Fire Department 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 liability.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Total pension expense for the GERP, PEPFP and Long Lake Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
City's proportionate share	\$ 1,037	\$ 27,153	\$ 168,373	\$ 196,563
Proportionate share of State's contribution	(785)	1,479	-	694
 Total pension expense	 \$ 252	 \$ 28,632	 \$ 168,373	 \$ 197,257

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements 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 City has one item, which arise 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 two additional items which qualify for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations. Furthermore, the City reports a deferred lease resources related to cell tower and rental space leases and is recorded under GASB 87, which is reported in the governmental funds and the statement of net position.

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 prepaid items.

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 Administrator.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 unrestricted fund balance of 50 percent of the following year's budgeted expenditures and transfers out.

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 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 balances 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 all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

Before 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, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

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 Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts were not amended in 2025.

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

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 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;
- 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.

The City's carrying amount of deposits and bank balance at year end are shown below. Part of the bank balance was covered by federal depository insurance and the remainder was covered by collateral pledged in the City's name as shown below.

Carrying amount of deposits	\$ 1,105,626
Bank balance	\$ 1,832,960
Covered by FDIC	(255,744)
Collateralized with securities pledged in City's name	\$ 1,577,216

City of Long Lake, 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)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker money market funds	N/A	less than 6 months	\$ 101,738	\$ -	\$ -
Non-pooled Investments at Fair Value					
Negotiable certificates of deposits	N/A	less than 1 year	1,201,979	-	1,201,979
Negotiable certificates of deposits	N/A	1 to 5 years	3,262,766	-	3,262,766
Governmental agency securities	N/R	less than 1 year	1,792,097	1,792,097	-
Governmental agency securities	N/R	1 to 5 years	1,262,791	1,262,791	-
Total Investments			<u>\$ 7,621,371</u>	<u>\$ 3,054,888</u>	<u>\$ 4,464,745</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* 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 52 of the notes.
- *Interest Rate Risk* 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. The City's investment policy does not allow for investment in securities maturing more than five years from the date of purchase. No more than 50 percent of the dollar value of the City's investments will mature more than two years from the date of purchase.
- *Concentration of Credit Risk* 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.
- *Custodial Credit Risk* 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.

The investment in the Minnesota Municipal Money Market fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

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

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 1,105,626
Investments	<u>7,621,370</u>
 Total Cash and Temporary Investments	 <u><u>\$ 8,726,996</u></u>

B. Lease Receivable

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Verizon Cell Tower	08/20/92	1.98	% \$ 44,532	\$ 825,488
T-Mobile Cell Tower	04/01/24	3.00	36,177	327,716
LMCC Room Rental	07/15/25	5.00	7,130	<u>145,292</u>
				 <u><u>\$ 1,298,496</u></u>

The City entered into a lease agreement with Verizon on August 20, 1992 to lease exterior space for cell phone towers. The lease term began January 1, 2022 and will continue through 2042. The City was paid \$3,582 per month in 2024 and that monthly payment will raise 3 percent each year. The City amended their lease with T-Mobile in 2024 to lease exterior space for cell phone towers. The city was paid \$6,354 per month in 2024 and that monthly payment will raise 3 percent each year. The City entered into a lease agreement with Lake Minnetonka Communications Commission on July 15, 2025 to lease a room in the public works building. The lease term began July 15, 2025 and will continue through 2035. The City was paid \$1,250 per month in 2025 and the monthly payment will raise 5 percent each year.

The annual amounts to be recognized split between principal and interest are as follows:

Year Ending December 31,	Principal	Interest	Total Receipts
2026	\$ 68,679	\$ 32,671	\$ 101,350
2027	74,006	30,684	104,690
2028	79,615	28,531	108,146
2029	85,522	26,200	111,722
2030	91,739	23,681	115,420
2031 - 2035	470,552	75,332	545,884
2036 - 2040	298,491	28,520	327,011
2041 - 2043	<u>129,892</u>	<u>2,497</u>	<u>132,389</u>
 Total	 <u><u>\$ 1,298,496</u></u>	 <u><u>\$ 248,116</u></u>	 <u><u>\$ 1,546,612</u></u>

City of Long Lake, 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 City for the year ended December 31, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,681,949	\$ -	\$ -	\$ 2,681,949
Capital Assets Being Depreciated				
Buildings	5,981,835	43,800	-	6,025,635
Machinery and equipment	2,964,957	267,804	(313,123)	2,919,638
Infrastructure	9,028,864	173,216	-	9,202,080
Total Capital Assets Being Depreciated	<u>17,975,656</u>	<u>484,820</u>	<u>(313,123)</u>	<u>18,147,353</u>
Less Accumulated Depreciation for				
Buildings	(2,813,652)	(138,893)	-	(2,952,545)
Machinery and equipment	(1,954,086)	(177,352)	313,123	(1,818,315)
Infrastructure	(5,852,337)	(220,703)	-	(6,073,040)
Total Accumulated Depreciation	<u>(10,620,075)</u>	<u>(536,948)</u>	<u>313,123</u>	<u>(10,843,900)</u>
Total Capital Assets Being Depreciated, Net	<u>7,355,581</u>	<u>(52,128)</u>	<u>-</u>	<u>7,303,453</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,037,530</u>	<u>\$ (52,128)</u>	<u>\$ -</u>	<u>\$ 9,985,402</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities	
General government	\$ 31,144
Public safety	154,008
Public works	333,058
Culture and recreation	18,738
Total Depreciation Expense - Governmental Activities	<u>\$ 536,948</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets not Being Depreciated				
Construction in progress	\$ 44,823	\$ -	\$ -	\$ 44,823
Capital Assets Being Depreciated				
Buildings	\$ 779,704	-	\$ -	\$ 779,704
Machinery and equipment	663,301	-	-	663,301
Infrastructure	10,934,825	-	-	10,934,825
Total Capital Assets Being Depreciated	<u>12,377,830</u>	<u>-</u>	<u>-</u>	<u>12,377,830</u>
Less Accumulated Depreciation for				
Buildings	(547,431)	(12,000)	-	(559,431)
Machinery and equipment	(608,892)	(20,457)	-	(629,349)
Infrastructure	(4,306,714)	(213,970)	-	(4,520,684)
Total Accumulated Depreciation	<u>(5,463,037)</u>	<u>(246,427)</u>	<u>-</u>	<u>(5,709,464)</u>
Total Capital Assets Being Depreciated, Net				
	<u>6,914,793</u>	<u>(246,427)</u>	<u>-</u>	<u>6,668,366</u>
Business-type Activities Capital Assets, Net				
	<u>\$ 6,959,616</u>	<u>\$ (246,427)</u>	<u>\$ -</u>	<u>\$ 6,713,189</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities	
Water	\$ 146,615
Sewer	76,608
Surface water management	<u>23,204</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 246,427</u>

D. Interfund Receivables, Payables, and Transfers

During the year ended December 31, 2025, the City made the following transfers:

- The General fund transferred \$60,000 into the Sealcoating/Patching fund.

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

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation (G.O.) Improvement (Special Assessment) Bonds

The following bonds were issued to finance various capital improvements and will be repaid from special assessments certified on the properties benefiting from the improvements. Some issues, however, are partially 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. In addition, G.O. improvement bonds have been issued to refund related G.O. improvement bonds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2016A	\$ 915,000	0.80 - 2.00 %	09/07/16	02/01/27	\$ 195,000
G.O. Improvement Bonds of 2017A	2,000,000	3.00	07/13/17	02/01/33	<u>1,180,000</u>
Total G.O. Improvement Bonds					<u><u>\$ 1,375,000</u></u>

Annual debt service requirements to maturity for the G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 86,850	\$ 9,845	\$ 96,695	\$ 138,150	\$ 26,555	\$ 164,705
2027	88,075	7,771	95,846	146,925	22,704	169,629
2028	34,300	6,211	40,511	105,700	19,139	124,839
2029	35,525	5,163	40,688	109,475	15,912	125,387
2030	36,750	4,079	40,829	113,250	12,571	125,821
2031 - 2033	<u>117,600</u>	<u>5,365</u>	<u>122,965</u>	<u>362,400</u>	<u>16,535</u>	<u>378,935</u>
Total	<u><u>\$ 399,100</u></u>	<u><u>\$ 38,434</u></u>	<u><u>\$ 437,534</u></u>	<u><u>\$ 975,900</u></u>	<u><u>\$ 113,416</u></u>	<u><u>\$ 1,089,316</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	\$ 480,950	\$ -	\$ (81,850)	\$ 399,100	\$ 86,850
Bond premium	13,814	-	(1,984)	11,830	-
Total Bonds Payable	<u>494,764</u>	<u>-</u>	<u>(83,834)</u>	<u>410,930</u>	<u>86,850</u>
Compensated Absences Payable*	<u>108,086</u>	<u>-</u>	<u>(70,672)</u>	<u>37,414</u>	<u>20,578</u>
Governmental Activity Long-term Liabilities	<u>\$ 602,850</u>	<u>\$ -</u>	<u>\$ (154,506)</u>	<u>\$ 448,344</u>	<u>\$ 107,428</u>
Business-type Activities					
Bonds Payable					
G.O. improvement bonds	\$ 1,114,050	\$ -	\$ (138,150)	\$ 975,900	\$ 138,150
Bond premium	40,968	-	(5,320)	35,648	-
Total Bonds Payable	<u>1,155,018</u>	<u>-</u>	<u>(143,470)</u>	<u>1,011,548</u>	<u>138,150</u>
Compensated Absences Payable*	<u>18,850</u>	<u>-</u>	<u>(8,288)</u>	<u>10,562</u>	<u>5,809</u>
Business-type Activity Long-term Liabilities	<u>\$ 1,173,868</u>	<u>\$ -</u>	<u>\$ (151,758)</u>	<u>\$ 1,022,110</u>	<u>\$ 143,959</u>

City of Long Lake, 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	Fire Department	TIF 1-6	Capital Project	Pavement Management Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable for Leases	\$ 78,569	\$ -	\$ -	\$ -	\$ 26,245	\$ -	\$ 104,814
Restricted for							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,952	\$ 117,952
Park improvements	-	-	-	-	-	72,331	72,331
Culture and recreation	-	-	-	-	-	40,705	40,705
Economic development	-	-	391,116	-	-	51,599	442,715
Total Restricted	\$ -	\$ -	\$ 391,116	\$ -	\$ -	\$ 282,587	\$ 673,703
Committed to							
Public safety	\$ -	\$ 246,716	\$ -	\$ -	\$ -	\$ -	\$ 246,716
Lake quality improvement	-	-	-	-	-	5,611	5,611
Economic development	-	-	-	-	-	82,081	82,081
Total Committed	\$ -	\$ 246,716	\$ -	\$ -	\$ -	\$ 87,692	\$ 334,408
Assigned to							
Compensated absences	\$ 37,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,414
Pavement management	-	-	-	-	469,921	2,104	472,025
Capital replacements	-	-	-	3,756,747	-	23,806	3,780,553
Fire capital replacements	-	-	-	-	-	7,805	7,805
Economic development	-	-	-	-	-	-	-
Total Assigned	\$ 37,414	\$ -	\$ -	\$ 3,756,747	\$ 469,921	\$ 33,715	\$ 4,297,797
Total Unassigned	\$ 1,269,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,269,710

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 requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

City of Long Lake, 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 \$40,685. 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 \$20,522. The City's contributions were equal to the required contributions as set by state statute.

City of Long Lake, 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 \$212,203 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 \$5,119.

City's proportionate share of the net pension liability	\$	212,203
State of Minnesota's proportionate share of the net pension liability associated with the City		5,119
Total	\$	217,322

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 0.0064% at the end of the measurement period and 0.006% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of \$1,037 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$785 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	\$ 20,218	\$ -
Changes in actuarial assumptions	5,113	48,827
Net difference between projected and actual investment earnings	-	84,437
Changes in proportion	19,440	17,270
Employer contributions subsequent to the measurement date	18,729	-
Total	\$ 63,500	\$ 150,534

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

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

The \$18,729 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		\$	(33,717)
2027			(34,357)
2028			(22,605)
2029			(15,084)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$88,207 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 0.0075% at the end of the measurement period and 0.0079% 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 \$3,058.

City's proportionate share of the net pension liability	\$	88,207
State of Minnesota's proportionate share of the net pension liability associated with the City		3,058
Total	\$	91,265

For the year ended December 31, 2025, the City recognized pension expense of \$27,153 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$1,479 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 \$678 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 Long Lake, 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	\$ 40,754	\$ -
Changes in actuarial assumptions	66,889	110,519
Net difference between projected and actual earnings on investments	-	39,368
Changes in proportion	21,403	24,872
Employer contributions subsequent to the measurement date	10,269	-
Total	\$ 139,315	\$ 174,759

The \$10,269 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	\$ 19,108
2027	(21,203)
2028	(46,250)
2029	1,253
2030	1,379

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
Total	100.0 %	

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 Long Lake, 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 Long Lake, 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	\$ 515,407	\$ 212,203	\$ (33,764)
Police and Fire Fund	231,120	88,207	(29,148)

I. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Long Lake Fire Department (the Department) are covered by a defined benefit plan administered by the Long Lake Fire Volunteer Relief Association (the Association). As of December 31, 2024, the plan covered 38 active firefighters and 11 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 fire fighter 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 reduced by 4 percent for each year of service less than 20 years. 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 \$164,867 in fire state aid to the plan on behalf of the Long Lake Fire Department for the year ended December 31, 2025, 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 \$206,604. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

City of Long Lake, 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 \$963,734 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2025. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Van Iwaarden, 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 Liability (Asset) (a-b)
Beginning Balance January 1, 2024	\$ 2,161,721	\$ 2,728,055	\$ (566,334)
Changes for the Year			
Service cost	121,416	-	121,416
Interest on pension liability (asset)	147,337	-	147,337
Differences between expected and actual experience	(93,104)	-	(93,104)
Changes of actuarial assumptions	14,384	-	14,384
Change of benefit terms	-	-	-
Contributions (state and local)	-	205,716	(205,716)
Net investment income	-	384,372	(384,372)
Benefit payments	(32,827)	(32,827)	-
Administrative expenses	-	(2,655)	2,655
Total Net Changes	<u>157,206</u>	<u>554,606</u>	<u>(397,400)</u>
Ending Balance December 31, 2024	<u>\$ 2,318,927</u>	<u>\$ 3,282,661</u>	<u>\$ (963,734)</u>

For the year ended December 31, 2025, the City recognized pension expense of \$168,373.

At December 31, 2025, the City reported deferred outflows of resources, 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 Economic Experience	\$ 87	\$ 177,472
Changes in Actuarial Assumptions	33,009	47,112
Net Difference Between Projected and Actual Earnings on Plan Investments	-	103,728
Contributions to Plan Subsequent to the Measurement Date	<u>164,867</u>	<u>-</u>
Total	<u>\$ 197,963</u>	<u>\$ 328,312</u>

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

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

Deferred outflows of resources totaling \$164,867 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 liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2026	\$	(46,403)
2027		7,891
2028		(126,003)
2029		(74,708)
2030		(21,668)
Thereafter		(34,325)

E. Actuarial Assumptions

The total pension liability at December 31, 2025 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation Rate		2.50% per year
Investment Rate of Return		6.50%
20-Year Municipal Bond Yield		4.08%

There were no changes in actuarial assumptions in 2025 .

F. Discount Rate

The discount rate used to measure the total pension liability was 6.5 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 one percent lower or one percent higher than the current discount rate:

	<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
Defined Benefit Plan	\$ (893,957)	\$ (963,734)	\$ (1,030,334)

H. 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 Long Lake, 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	60.00 %	4.60 %
Fixed Income	35.00	2.70
Cash	<u>5.00</u>	1.19
Total	<u><u>100.00 %</u></u>	

I. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Long Lake Fire Department Relief Association, 340 North Willow Drive, Orono, MN 55356.

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. Joint Operation

The City entered into a settlement agreement in August 2001 with the Cities of Orono and Medina for the construction of a fire station. The proceeds of the project resulted from a negotiated settlement with the Minnesota Department of Transportation for \$3,498,200 and a \$680,000 contribution from the City of Orono. The City of Orono also contributed land at a value of \$200,000. The City is tracking their 50 percent share in the building and 50 percent share in the land as an undivided interest as defined by GASB Statement No. 14 and No. 61. In 2025 the Long Lake and Orono fire departments merged into Shoreline Fire Department under a new joint powers agreement. The joint powers effective operating date is January 1, 2026.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated 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. The City has no debt subject to the limit.

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

Note 6: Other Information (Continued)

D. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Long Lake, 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	0.0064 %	\$ 212,203	\$ 5,119	\$ 217,322	\$ 579,946	36.6 %	90.8 %
6/30/2024	0.0060	220,184	5,694	225,878	504,077	43.7	89.1
6/30/2023	0.0060	335,513	9,301	344,814	478,076	70.2	83.1
6/30/2022	0.0070	554,402	16,242	570,644	510,125	108.7	76.7
6/30/2021	0.0068	290,390	8,858	299,248	484,403	59.9	87.0
6/30/2020	0.0065	389,705	12,016	401,721	437,853	89.0	79.1
6/30/2019	0.0052	287,496	9,000	296,496	395,971	72.6	80.2
6/30/2018	0.0050	277,380	9,162	286,542	366,882	75.6	79.5
6/30/2017	0.0056	357,500	4,459	361,959	327,500	109.2	75.9
6/30/2016	0.0057	462,812	-	462,812	353,000	131.1	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	\$ 40,685	\$ 40,685	\$ -	\$ 542,469	7.50 %
12/31/2024	40,500	40,500	-	539,995	7.50
12/31/2023	37,427	37,427	-	499,022	7.50
12/31/2022	36,874	36,874	-	491,653	7.50
12/31/2021	36,392	36,392	-	485,232	7.50
12/31/2020	37,193	37,193	-	495,909	7.50
12/31/2019	30,371	30,371	-	404,943	7.50
12/31/2018	26,286	26,286	-	350,483	7.50
12/31/2017	25,359	25,359	-	338,116	7.50
12/31/2016	27,651	27,651	-	368,680	7.50

City of Long Lake, 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 Long Lake, 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 Long Lake, 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	0.0075 %	\$ 88,207	\$ 3,058	\$ 91,265	\$ 114,255	77.2 %	91.8 %
6/30/2024	0.0079	103,307	3,938	107,245	108,735	95.0	90.2
6/30/2023	0.0063	108,793	4,346	113,139	82,484	131.9	86.5
6/30/2022	0.0090	391,644	17,122	408,766	105,287	372.0	70.5
6/30/2021	0.0084	64,839	2,889	67,728	98,980	65.5	93.7
6/30/2020	0.0083	109,403	-	109,403	94,139	116.2	87.2
6/30/2019	0.0087	92,620	-	92,620	91,351	101.4	89.3
6/30/2018	0.0084	89,535	-	89,535	95,247	94.0	88.8
6/30/2017	0.0080	108,010	-	108,010	79,804	135.3	85.4
6/30/2016	0.0090	361,186	-	361,186	84,772	426.1	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	\$ 20,522	\$ 20,522	\$ -	\$ 115,944	17.70 %
12/31/2024	19,827	19,827	-	112,015	17.70
12/31/2023	14,130	14,130	-	79,830	17.70
12/31/2022	19,406	19,406	-	109,640	17.70
12/31/2021	18,158	18,158	-	102,589	17.70
12/31/2020	16,927	16,927	-	95,633	17.70
12/31/2019	15,695	15,695	-	92,597	16.95
12/31/2018	14,564	14,564	-	89,900	16.20
12/31/2017	14,146	14,146	-	87,318	16.20
12/31/2016	13,869	13,869	-	85,611	16.20

City of Long Lake, 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 Long Lake, 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 Long Lake, 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	\$ 164,867	\$ 164,867	\$ -
12/31/24	206,604	206,604	-
12/31/23	178,087	178,087	-
12/31/22	156,973	156,973	-
12/31/21	144,261	144,261	-
12/31/20	135,078	135,078	-
12/31/19	116,941	116,941	-
12/31/18	108,863	108,863	-
12/31/17	105,233	105,233	-
12/31/16	102,476	102,476	-

City of Long Lake, 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 (Fire Relief Report Date 2024)	2024 (Fire Relief Report Date 2023)	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)
Total Pension Liability									
Service cost	\$ 121,416	\$ 118,455	\$ 105,992	\$ 103,660	\$ 74,567	\$ 72,748	\$ 62,746	\$ 57,986	\$ 59,297
Interest on pension liability (asset)	147,337	135,418	108,897	107,513	107,493	113,013	104,927	82,336	91,543
Changes of benefit terms	-	-	231,695	-	277,296	-	142,860	160,490	-
Differences between expected and actual experience	(93,104)	-	(42,556)	-	(140,443)	-	388	-	(66,918)
Changes of assumptions	14,384	-	(67,695)	-	32,088	-	24,858	(19,661)	8,104
Benefit payments	(32,827)	(114,113)	(376,664)	-	(433,735)	(125,431)	(27,537)	(179,612)	(189,404)
Net Change in Total Pension Liability	157,206	139,760	(40,331)	211,173	(82,734)	60,330	308,242	101,539	(97,378)
Total Pension Liability - January 1,	2,161,721	2,021,961	2,062,292	1,851,119	1,933,853	1,873,523	1,565,281	1,463,742	1,561,120
Total Pension Liability - December 31, (a)	\$ 2,318,927	\$ 2,161,721	\$ 2,021,961	\$ 2,062,292	\$ 1,851,119	\$ 1,933,853	\$ 1,873,523	\$ 1,565,281	\$ 1,463,742
Plan Fiduciary Net Position									
Nonemployer contributions		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,476
Contributions (state and local)	205,716	180,975	158,973	144,261	138,078	118,941	109,863	107,240	-
Projected investment return	384,372	396,639	(494,828)	376,727	352,944	424,177	(60,245)	195,835	143,741
Benefit payments	(32,827)	(114,113)	(376,664)	-	(433,735)	(125,431)	(27,537)	(179,612)	(189,404)
Administrative expenses	(2,655)	(23,070)	(2,306)	(18,393)	(10,675)	(8,088)	(11,213)	(13,196)	(6,220)
Other	-	2,000	-	-	-	69	220	500	-
Net Change in Plan Fiduciary Net Position	554,606	442,431	(714,825)	502,595	46,612	409,668	11,088	110,767	52,593
Plan Fiduciary Net Position - January 1,	2,728,055	2,285,624	3,000,449	2,497,854	2,451,242	2,041,574	2,030,486	1,919,719	1,867,126
Plan Fiduciary Net Position - December 31, (b)	\$ 3,282,661	\$ 2,728,055	\$ 2,285,624	\$ 3,000,449	\$ 2,497,854	\$ 2,451,242	\$ 2,041,574	\$ 2,030,486	\$ 1,919,719
Fire Relief's Net Pension Liability (Asset) - December 31, (a-b)	\$ (963,734)	\$ (566,334)	\$ (263,663)	\$ (938,157)	\$ (646,735)	\$ (517,389)	\$ (168,051)	\$ (465,205)	\$ (455,977)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	141.56%	126.20%	113.04%	145.49%	134.94%	126.75%	108.97%	129.72%	131.15%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

City of Long Lake, 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

2023 – The investment rate of return increased from 5.50% to 6.50% and the Inflation rate increased from 2.25% to 2.50%.

2022- There were no changes since the previous valuation.

2021 - There were no changes since the previous valuation.

2020 - The expected investment return and discount rate decreased from 6.00% to 5.50% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA

Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%.

2019 - There were no changes since the previous valuation.

2018 - The expected investment return and discount rate decreased from 6.50% to 6.00% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%. The 20-year municipal bond yield rate increased from 3.31% to 3.71%.

Changes in Plan Provisions

2023- There were no changes since the previous valuation.

2022- There were no changes since the previous valuation.

2021 - There were no changes since the previous valuation.

2020 - The lump sum benefit amount increased from \$4,900 to \$6,000 per year of service.

2019 - There were no changes since the previous valuation.

2018 - The lump sum benefit amount increased from \$4,350 to \$4,900 per year of service.

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

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Property taxes	\$ 1,658,131	\$ 1,629,201	\$ (28,930)
Licenses and permits	100,250	145,439	45,189
Charges for services	63,525	101,660	38,135
Fines and forfeitures	10,000	13,133	3,133
Investment earnings	-	41,021	41,021
Miscellaneous	1,500	11,337	9,837
Total Revenues	<u>1,833,406</u>	<u>1,941,791</u>	<u>108,385</u>
Expenditures			
Current			
General government	678,397	623,681	54,716
Public safety	641,779	521,069	120,710
Public works	370,985	324,127	46,858
Culture and recreation	32,500	23,663	8,837
Capital outlay			
General government	3,500	3,378	122
Public safety	-	-	-
Public works	25,000	3,000	22,000
Culture and recreation	7,500	-	7,500
Total Expenditures	<u>1,759,661</u>	<u>1,498,918</u>	<u>260,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,745	442,873	369,128
Other Financing Sources (Uses)			
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net Change in Fund Balances	13,745	382,873	369,128
Fund Balances, January 1	<u>1,002,820</u>	<u>1,002,820</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,016,565</u>	<u>\$ 1,385,693</u>	<u>\$ 369,128</u>

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

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

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Intergovernmental			
State	\$ 165,000	\$ 198,577	\$ 33,577
Charges for services	824,136	1,039,090	214,954
Miscellaneous	-	4,774	4,774
Contributions and donations	12	2,086	2,074
Total Revenues	<u>989,148</u>	<u>1,244,527</u>	<u>255,379</u>
Expenditures			
Current			
Public safety			
Personal services	592,247	613,266	(21,019)
Supplies	83,650	146,983	(63,333)
Other services and charges	268,920	330,511	(61,591)
Capital outlay	8,000	105,947	(97,947)
Total Expenditures	<u>952,817</u>	<u>1,196,707</u>	<u>(243,890)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,331	47,820	11,489
Other Financing Sources			
Sale of capital assets	-	39,300	39,300
Net Change in Fund Balances	36,331	87,120	50,789
Fund Balances, January 1	-	159,596	159,596
Fund Balances, December 31	<u>\$ 36,331</u>	<u>\$ 246,716</u>	<u>\$ 210,385</u>

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

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

Budgetary Reporting

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

Before 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, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

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 Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts were not amended in 2025.

B. Excess of Expenditures over Appropriations

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Fire Department	\$ 952,817	\$ 1,196,707	\$ 243,890

The excess of expenditures over appropriations was offset with revenue in excess of budget.

C. Summary of Significant Budget Variances

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

Revenues

- Investment earnings and building permit revenues greater than expectation were the main reasons for a positive budget variance in the general fund. The city typically doesn't budget for investment earnings and is conservative when budgeting building permit revenue.

Expenditures

- Public safety expenditures were under final budgeted amounts mainly due to decreases in fire current expenditures directly related to the creation of the Shoreline Fire JPA.

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

Revenues

- Charges for services exceeded final budgeted amounts due to more capital reimbursement revenue than anticipated at time of final budget approval.

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

Budgetary Reporting (Continued)

Expenditures

- Capital outlay expenditures were over final budgeted amounts due to five HVAC replacements and SCBA equipment purchases.

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 LONG LAKE
LONG LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Debt Service	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 117,952	\$ 128,397	\$ 206,214	\$ 452,563
Receivables				
Special assessments	8,204	-	-	8,204
Total Assets	\$ 126,156	\$ 128,397	\$ 206,214	\$ 460,767
Liabilities				
Accounts payable	\$ -	\$ -	\$ 48,569	\$ 48,569
Deferred Inflows of Resources				
Unavailable revenue - special assessments	8,204	-	-	8,204
Fund Balances				
Restricted for				
Debt Service	117,952	-	-	117,952
Economic development	-	-	51,599	51,599
Park improvements	-	-	72,331	72,331
Culture and recreation	-	40,705	-	40,705
Committed for				
Lake quality improvement	-	5,611	-	5,611
Economic development	-	82,081	-	82,081
Assigned for				
Capital replacements	-	-	33,715	33,715
Total Fund Balances	117,952	128,397	157,645	403,994
Total Liabilities, Deferred Inflows and Fund Balances	\$ 126,156	\$ 128,397	\$ 206,214	\$ 460,767

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

	Debt Service	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property	\$ 87,530	\$ -	\$ -	\$ 87,530
Tax increments	-	-	107,931	107,931
Special assessments	8,888	-	-	8,888
Investment earnings	1,361	5,023	22,032	28,416
Miscellaneous	-	13,622	86,286	99,908
Total Revenues	<u>97,779</u>	<u>18,645</u>	<u>216,249</u>	<u>332,673</u>
Expenditures				
Current				
Culture and recreation	-	2,102	-	2,102
Economic development	-	185	-	185
Capital outlay				
Public safety	-	-	250,861	250,861
Public works	-	-	59,820	59,820
Economic development	-	-	70,173	70,173
Debt service				
Principal	81,850	-	-	81,850
Interest and other	12,651	-	-	12,651
Total Expenditures	<u>94,501</u>	<u>2,287</u>	<u>380,854</u>	<u>477,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,278	16,358	(164,605)	(144,969)
Other Financing Sources				
Transfers in	-	-	60,000	60,000
Net Change in Fund Balances	3,278	16,358	(104,605)	(84,969)
Fund Balances, January 1	<u>114,674</u>	<u>112,039</u>	<u>262,250</u>	<u>488,963</u>
Fund Balances, December 31	<u>\$ 117,952</u>	<u>\$ 128,397</u>	<u>\$ 157,645</u>	<u>\$ 403,994</u>

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

	105 Economic Development Authority	213 Lake Quality Improvement	225 Charitable Gambling	Total
Assets				
Cash and temporary investments	<u>\$ 82,081</u>	<u>\$ 5,611</u>	<u>\$ 40,705</u>	<u>\$ 128,397</u>
Fund Balances				
Restricted for				
Culture and recreation	\$ -	\$ -	\$ 40,705	\$ 40,705
Committed for				
Lake quality improvement	-	5,611	-	5,611
Economic development	<u>82,081</u>	<u>-</u>	<u>-</u>	<u>82,081</u>
Total Fund Balances	<u>\$ 82,081</u>	<u>\$ 5,611</u>	<u>\$ 40,705</u>	<u>\$ 128,397</u>

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

	105 Economic Development Authority	213 Lake Quality Improvement	225 Charitable Gambling	Total
Revenues				
Investment earnings	\$ 3,350	\$ 229	\$ 1,444	\$ 5,023
Miscellaneous	-	-	13,622	13,622
Total Revenues	<u>3,350</u>	<u>229</u>	<u>15,066</u>	<u>18,645</u>
Expenditures				
Current				
Culture and recreation	-	-	2,102	2,102
Economic development	185	-	-	185
Total Expenditures	<u>185</u>	<u>-</u>	<u>2,102</u>	<u>2,287</u>
Net Change in Fund Balances	3,165	229	12,964	16,358
Fund Balances, January 1	<u>78,916</u>	<u>5,382</u>	<u>27,741</u>	<u>112,039</u>
Fund Balances, December 31	<u>\$ 82,081</u>	<u>\$ 5,611</u>	<u>\$ 40,705</u>	<u>\$ 128,397</u>

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

	380	462	210	421	
	TIF 1-9	Fire Capital	Park	Sealcoating/ Patching	Total
Assets					
Cash and temporary investments	<u>\$ 100,168</u>	<u>\$ 7,805</u>	<u>\$ 96,137</u>	<u>\$ 2,104</u>	<u>\$ 206,214</u>
Liabilities					
Accounts payable	<u>\$ 48,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,569</u>
Fund Balances					
Restricted for					
Economic development	51,599	-	-	-	51,599
Park improvements	-	-	72,331	-	72,331
Assigned for					
Capital replacements	-	7,805	23,806	2,104	33,715
Total Fund Balances	<u>51,599</u>	<u>7,805</u>	<u>96,137</u>	<u>2,104</u>	<u>157,645</u>
Total Liabilities and Fund Balances	<u>\$ 100,168</u>	<u>\$ 7,805</u>	<u>\$ 96,137</u>	<u>\$ 2,104</u>	<u>\$ 206,214</u>

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

	380	462	210	421	
	TIF 1-9	Fire Capital	Park	Sealcoating/ Patching	Total
Revenues					
Tax increments	\$ 107,931	\$ -	\$ -	\$ -	\$ 107,931
Investment earnings	1,372	15,246	3,490	1,924	22,032
Miscellaneous	-	86,286	-	-	86,286
Total Revenues	<u>109,303</u>	<u>101,532</u>	<u>3,490</u>	<u>1,924</u>	<u>216,249</u>
Expenditures					
Capital outlay					
Public safety	-	250,861	-	-	250,861
Public works	-	-	-	59,820	59,820
Economic development	70,173	-	-	-	70,173
Total Expenditures	<u>70,173</u>	<u>250,861</u>	<u>-</u>	<u>59,820</u>	<u>380,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,130	(149,329)	3,490	(57,896)	(164,605)
Other Financing Sources					
Transfers in	-	-	-	60,000	60,000
Net Change in Fund Balances	39,130	(149,329)	3,490	2,104	(104,605)
Fund Balances, January 1	<u>12,469</u>	<u>157,134</u>	<u>92,647</u>	<u>-</u>	<u>262,250</u>
Fund Balances, December 31	<u>\$ 51,599</u>	<u>\$ 7,805</u>	<u>\$ 96,137</u>	<u>\$ 2,104</u>	<u>\$ 157,645</u>

City of Long Lake, Minnesota
 Debt Service Funds
 Combining Balance Sheet
 December 31, 2025

	393	394	
	2016A	2017A	
	Watertown	GO	
	Bonds	Improvement	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 81,169	\$ 36,783	\$ 117,952
Special assessments receivable	8,204	-	8,204
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 89,373</u></u>	<u><u>\$ 36,783</u></u>	<u><u>\$ 126,156</u></u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 8,204	\$ -	\$ 8,204
Fund Balances			
Restricted for debt service	<u>81,169</u>	<u>36,783</u>	<u>117,952</u>
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 89,373</u></u>	<u><u>\$ 36,783</u></u>	<u><u>\$ 126,156</u></u>

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

	393	394	
	2016A	2017A	
	Watertown	GO	
	Bonds	Improvement	Total
	<u>Bonds</u>	<u>Bonds</u>	<u>Total</u>
Revenues			
Property taxes	\$ 46,160	\$ 41,370	\$ 87,530
Special assessments	8,888	-	8,888
Investment earnings	1,281	80	1,361
Total Revenues	<u>56,329</u>	<u>41,450</u>	<u>97,779</u>
Expenditures			
Debt service			
Principal	50,000	31,850	81,850
Interest and other	3,025	9,626	12,651
Total Expenditures	<u>53,025</u>	<u>41,476</u>	<u>94,501</u>
Net Change in Fund Balances	3,304	(26)	3,278
Fund Balances, January 1	<u>77,865</u>	<u>36,809</u>	<u>114,674</u>
Fund Balances, December 31	<u>\$ 81,169</u>	<u>\$ 36,783</u>	<u>\$ 117,952</u>

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OTHER REQUIRED REPORTS

CITY OF LONG LAKE
LONG LAKE, 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 Long Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Long Lake, 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 March 16, 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. 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 and management of the City of Long Lake and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
March 16, 2026