Financial Statements
December 31, 2025

City of Morris, Minnesota

Other Reports

Name	Position	Term Expires January 1,
Council		
Kevin Wohlers	Mayor	2027
Kim Gullickson	Council Member	2029
Zachary Kroells	Council Member	2029
Jeff Miller	Council Member	2027
Brian Solvie	Council Member	2027
Officials		
Rebecca Schrupp	City Manager (through October 2025)	
Blaine Hill	City Manager (through March 2026)	
Zoe Johnson	City Manager (beginning April 2026)	
Whitney Millard	Finance Director	

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris, Minnesota, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Total OPEB Liability and Related Ratios; the Schedule of Employer's Proportionate Share of Net Pension Liability and Schedule of Employer's Contributions; the Schedule of Changes in Net Pension Liability – Fire Relief Association; and Schedule of Employer Contributions and Non-Employer Contributing Entities – Fire Relief Association be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet-nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor governmental funds; combining balance sheet-nonmajor special revenue funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor special revenue funds; combining balance sheet-nonmajor debt service funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor debt service funds; combining balance sheet-nonmajor capital project funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor capital projects funds; combining schedule of net position-internal service funds; combining schedule of revenues, expenses, and changes in net position-internal service funds; combining schedule of cash flows-internal service funds; and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining balance sheet-nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor governmental funds; combining balance sheet-nonmajor special revenue funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor special revenue funds; combining balance sheet-nonmajor debt service funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor debt service funds; combining balance sheet-nonmajor capital project funds; combining schedule of revenues, expenditures and changes in fund balances-nonmajor capital projects funds; combining schedule of net position-internal service funds; combining schedule of revenues, expenses, and changes in net position-internal service funds; combining schedule of cash flows-internal service funds; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 19, 2026, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
May 19, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 9,953,352	$ 7,648,393	$ 17,601,745
Restricted cash	-	735,550	735,550
Receivables			
Accounts	225,429	395,870	621,299
Property taxes	15,889	-	15,889
Special assessments	861,045	17,460	878,505
Intergovernmental	1,573,919	-	1,573,919
Leases - current	1,857	19,358	21,215
Leases - non current	-	42,934	42,934
Interest	5	2	7
Inventories	33,319	346,991	380,310
Prepaid items	83,712	48,032	131,744
Net pension asset - fire relief association	331,604	-	331,604
Capital assets, net of accumulated depreciation/amortization			
Land	515,820	340,186	856,006
Construction in progress	5,648,619	813,248	6,461,867
Buildings	2,979,723	15,801,857	18,781,580
Improvements other than buildings	9,509,990	5,800,812	15,310,802
Machinery and equipment	2,806,926	536,972	3,343,898
Infrastructure	10,621,522	-	10,621,522
Right-to-use leased property	-	3,810	3,810
Total assets	45,162,731	32,551,475	77,714,206
Deferred Outflows of Resources			
Pension plans	198,332	45,372	243,704
Liabilities			
Interest payable	55,147	18,531	73,678
Accounts payable	1,434,032	309,446	1,743,478
Accrued wages payable	49,494	18,554	68,048
Due to other governmental units	27,852	30,012	57,864
Unearned revenue	105,580	-	105,580
Noncurrent liabilities			
Due within one year - other than OPEB and pension liabilities	670,177	206,615	876,792
Due in more than one year - other than OPEB and pension liabilities	4,110,672	6,024,397	10,135,069
Due in more than one year - total OPEB liability	159,337	-	159,337
Due in more than one year - net pension liability	547,528	199,134	746,662
Total liabilities	7,159,819	6,806,689	13,966,508
Deferred Inflows of Resources			
Leases	2,507	56,649	59,156
Pension plans	428,747	143,788	572,535
Total Deferred Inflows of Resources	431,254	200,437	631,691
Net Position			
Net investment in capital assets	27,502,106	17,829,893	45,331,999
Restricted	3,668,877	735,550	4,404,427
Unrestricted	6,599,007	7,024,278	13,623,285
Total net position	$ 37,769,990	$ 25,589,721	$ 63,359,711

		Program Revenues			Net (Expense) Revenue and Changes in Net Position - Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	$ 1,284,228	$ 34,358	$ -	$ -	$ (1,249,870)	$ -	$ (1,249,870)
Public safety	1,540,200	156,986	20,159	7,940	(1,355,115)	-	(1,355,115)
Public works	1,717,873	133,520	2,512,536	-	928,183	-	928,183
Culture and recreation	960,660	150,353	-	-	(810,307)	-	(810,307)
Conservation and economic development	163,404	-	-	-	(163,404)	-	(163,404)
Airport	577,320	129,813	33,196	-	(414,311)	-	(414,311)
Transit	669,907	98,452	590,428	-	18,973	-	18,973
Interest on long-term debt	333,572	-	-	-	(333,572)	-	(333,572)
Total governmental activities	7,247,164	703,482	3,156,319	7,940	(3,379,423)	-	(3,379,423)
Business-type activities							
Water	1,837,562	2,304,809	-	1,808	-	469,055	469,055
Sewer	497,712	629,936	-	61	-	132,285	132,285
Liquor	2,427,685	2,538,386	-	-	-	110,701	110,701
Refuse collection	401,743	421,507	-	-	-	19,764	19,764
Total business-type activities	5,164,702	5,894,638	-	1,869	-	731,805	731,805
Total Primary Government	$ 12,411,866	$ 6,598,120	$ 3,156,319	$ 9,809	(3,379,423)	731,805	(2,647,618)
General revenues and transfers							
Property taxes					1,861,950	-	1,861,950
Franchise fees					277,662	-	277,662
Grants and contributions not restricted for specific programs					3,133,886	-	3,133,886
Unrestricted investment earnings					372,933	255,740	628,673
Miscellaneous					321,822	82,993	404,815
Transfers					178,152	(178,152)	-
Total general revenue and transfers					6,146,405	160,581	6,306,986
Change in net position					2,766,982	892,386	3,659,368
Net Position - Beginning					35,003,008	24,697,335	59,700,343
Net Position - Ending					$ 37,769,990	$ 25,589,721	$ 63,359,711

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

	General	East 7th Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 6,076,418	$ 84,397	$ 3,477,440	$ 9,638,255
Receivables				
Accounts	195,125	-	30,304	225,429
Property taxes	11,547	-	4,342	15,889
Special assessments	4,024	-	857,021	861,045
Intergovernmental	86,434	1,014,100	473,385	1,573,919
Leases	1,857	-	-	1,857
Interest	5	-	-	5
Advances due from other funds	545,000	-	-	545,000
Inventories	33,319	-	-	33,319
Prepaid items	70,980	-	10,694	81,674
Total assets	$ 7,024,709	$ 1,098,497	$ 4,853,186	$ 12,976,392
Liabilities				
Accounts payable	$ 229,666	$ 1,063,493	$ 131,776	$ 1,424,935
Accrued wages payable	38,743	-	8,582	47,325
Due to other governmental units	27,838	-	14	27,852
Advances due to other funds	-	-	545,000	545,000
Unearned revenue	105,580	-	-	105,580
Total liabilities	401,827	1,063,493	685,372	2,150,692
Deferred Inflows of Resources				
Unavailable revenue-property taxes	11,547	-	4,342	15,889
Unavailable revenue-special assessments	4,024	-	857,021	861,045
Unavailable revenue	41,326	251,963	32,605	325,894
Leases	2,507	-	-	2,507
Total deferred inflows of resources	59,404	251,963	893,968	1,205,335
Fund Balances (Deficit)				
Nonspendable	104,299	-	10,694	114,993
Restricted	-	-	3,297,088	3,297,088
Committed	1,851,101	-	-	1,851,101
Unassigned	4,608,078	(216,959)	(33,936)	4,357,183
Total fund balances (Deficit)	6,563,478	(216,959)	3,273,846	9,620,365
Total liabilities, deferred inflows of resources, and fund balances	$ 7,024,709	$ 1,098,497	$ 4,853,186	$ 12,976,392

Total Fund Balances - Governmental Funds	$ 9,620,365
Amounts reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	32,003,060
Other long-term assets not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	1,202,828
Long-term assets from pensions reported in governmental activities are not financial resources and, therefore, are not reported in the funds.	331,604
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(219,123)
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance, replacement of City vehicles and equipment and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(11,790)
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(55,147)
Long-term liabilities, including compensated absences, bonds payable, direct borrowings, leases, total OPEB liability, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,101,807)
Net Position of Governmental Activities	$ 37,769,990

	General	East 7th Street	Fund Previously Reported as Major	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 1,400,750	$ -		$ 488,787	$ 1,889,537
Tax increments	-	-		142,743	142,743
Special assessments	1,636	-		197,926	199,562
Licenses and permits	179,433	-		-	179,433
Intergovernmental revenue	3,357,306	1,854,182		389,524	5,601,012
Charges for services	461,856	-		135,291	597,147
Fines and forfeitures	14,470	-		-	14,470
Lodging tax	4,535	-		86,168	90,703
Contributions and donations	11,663	-		25,053	36,716
Franchise fees	277,662	-		-	277,662
Interest earnings	204,841	-		111,946	316,787
Investment gain	44,265	718		-	44,983
Miscellaneous revenues	29,283	-		484	29,767
Total revenues	5,987,700	1,854,900		1,577,922	9,420,522
Expenditures					
Current					
General government	846,725	-		-	846,725
Public safety	1,455,207	-		-	1,455,207
Public works	1,157,046	-		-	1,157,046
Culture and recreation	380,031	-		404,456	784,487
Conservation and economic development	70,303	-		122,372	192,675
Airport	159,823	-		14,836	174,659
Transit	580,080	-		-	580,080
Other	84,099	-		224,103	308,202
Capital outlay	518,610	2,071,859		20,686	2,611,155
Debt service					
Principal	58,205	-		818,485	876,690
Interest and fees	12,053	-		163,029	175,082
Total expenditures	5,322,182	2,071,859		1,767,967	9,162,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	665,518	(216,959)		(190,045)	258,514
Other Financing Sources (Uses)					
Transfers from other funds	72,000	-		208,672	280,672
Transfers to other funds	(21,720)	-		(80,800)	(102,520)
Total other financing sources (uses)	50,280	-		127,872	178,152
Net Change in Fund Balances	715,798	(216,959)		(62,173)	436,666
Fund Balance, Beginning, as previously reported	5,847,680	-	3,445	3,332,574	9,183,699
Adjustments (Note 17)	-	-	(3,445)	3,445	-
Fund Balance - Beginning, as restated	5,847,680	-	-	3,336,019	9,183,699
Fund Balance (Deficit) - Ending	$ 6,563,478	$ (216,959)	$ -	$ 3,273,846	$ 9,620,365

Net Change in Fund Balances - Total Governmental Funds	$ 436,666
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	
Capital outlay	2,617,355
Depreciation/amortization expense	(1,524,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	155,564
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	6,898
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	165,176
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 transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	892,269
Internal service funds are used by the City to charge the costs of certain activities, such as vehicle maintenance and compensated absences to certain funds. The net revenue of the internal service funds is reported in governmental activities.	17,402
Change in Net Position of Governmental Activities	$ 2,766,982

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues				
Property taxes	$ 1,389,500	$ 1,389,500	$ 1,400,750	$ 11,250
Special assessments	1,640	1,640	1,636	(4)
Licenses and permits	59,800	59,800	179,433	119,633
Intergovernmental revenue	3,564,607	3,564,607	3,357,306	(207,301)
Charges for services	382,675	382,675	461,856	79,181
Lodging tax	4,000	4,000	4,535	535
Fines and forfeitures	12,500	12,500	14,470	1,970
Contributions and donations	10,500	10,500	11,663	1,163
Franchise fees	266,000	266,000	277,662	11,662
Interest earnings	80,000	80,000	204,841	124,841
Investment gain	-	-	44,265	44,265
Miscellaneous revenues	25,000	25,000	29,283	4,283
Total revenues	5,796,222	5,796,222	5,987,700	191,478
Expenditures				
General government				
Council and mayor	55,922	55,922	58,924	(3,002)
City manager	380,059	380,059	344,663	35,396
Elections	76	76	64	12
Finance	282,628	282,628	275,069	7,559
Assessing	36,027	36,027	36,027	-
Auditing	37,500	37,500	26,202	11,298
City attorney	53,045	53,045	53,045	-
Employee safety	9,800	9,800	7,894	1,906
Planning and zoning	1,200	1,200	1,486	(286)
Building maintenance	35,550	35,550	40,670	(5,120)
Parking	2,800	2,800	2,681	119
Total general government	894,607	894,607	846,725	47,882
Public safety				
Police	1,006,149	1,006,149	1,006,149	-
Fire department	206,968	206,968	227,197	(20,229)
Fire prevention for kids	4,500	4,500	3,723	777
Building inspections	51,050	51,050	213,750	(162,700)
Rental inspections	59,285	59,285	3,471	55,814
Civil defense	1,600	1,600	917	683
Capital outlay	19,700	19,700	17,555	2,145
Total public safety	1,349,252	1,349,252	1,472,762	(123,510)
Public works				
Street maintenance	770,968	770,968	1,066,247	(295,279)
Ice and snow removal	25,000	25,000	29,676	(4,676)
Street lighting	73,100	73,100	61,123	11,977
Capital outlay	351,500	351,500	337,356	14,144
Total public works	1,220,568	1,220,568	1,494,402	(273,834)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Expenditures, Continued				
Culture and recreation				
Community education	59,457	59,457	59,457	-
Parks	335,876	335,876	320,574	15,302
Capital outlay	279,500	279,500	163,699	115,801
Total culture and recreation	674,833	674,833	543,730	131,103
Conservation and economic development				
Shade tree	24,000	24,000	13,154	10,846
Economic development	56,791	56,791	57,149	(358)
Total conservation and economic development	80,791	80,791	70,303	10,488
Other				
Airport	164,775	164,775	159,823	4,952
Airport capital outlay	19,500	19,500	-	19,500
Transit	1,124,674	1,124,674	580,080	544,594
Debt service principal	1,800	1,800	58,205	(56,405)
Interest and fees	118,344	118,344	12,053	106,291
Unallocated expenditures	156,270	156,270	84,099	72,171
Total other	1,585,363	1,585,363	894,260	691,103
Total expenditures	5,805,414	5,805,414	5,322,182	483,232
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,192)	(9,192)	665,518	(674,710)
Other Financing Sources (Uses)				
Transfers from other funds	72,000	72,000	72,000	-
Transfers to other funds	(21,720)	(21,720)	(21,720)	-
Proceeds from sale of capital assets	15,000	15,000	-	(15,000)
Total other financing sources (uses)	65,280	65,280	50,280	(15,000)
Net Change in Fund Balances	$ 56,088	$ 56,088	715,798	$ 659,710
Fund Balance - Beginning of Year			5,847,680	
Fund Balance - End of Year			$ 6,563,478	

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Assets						
Current Assets						
Cash and cash equivalents	$ 2,518,686	$ 2,402,581	$ 2,661,576	$ 65,550	$ 7,648,393	$ 315,097
Restricted cash	735,550	-	-	-	735,550	-
Receivables						
Accounts	265,868	71,374	25,673	32,955	395,870	-
Special assessments	16,380	1,080	-	-	17,460	-
Interest	2	-	-	-	2	-
Leases - current	19,358	-	-	-	19,358	-
Inventories	82,557	-	264,434	-	346,991	-
Prepaid items	28,731	12,276	7,025	-	48,032	2,038
Total current assets	3,667,132	2,487,311	2,958,708	98,505	9,211,656	317,135
Noncurrent Assets						
Leases - non current	42,934	-	-	-	42,934	-
Capital assets, net of accumulated depreciation/amortization						
Land	33,368	154,044	152,774	-	340,186	-
Construction in progress	-	-	813,248	-	813,248	-
Building	18,004,452	-	296,057	-	18,300,509	-
Improvements other than buildings	7,700,367	7,111,502	95,618	-	14,907,487	22,853
Machinery and equipment	697,420	818,332	17,575	-	1,533,327	113,973
Right-to-use leased property	7,269	-	-	-	7,269	-
Less accumulated depreciation/amortization	(6,689,555)	(5,623,605)	(291,981)	-	(12,605,141)	(57,286)
Net capital assets	19,753,321	2,460,273	1,083,291	-	23,296,885	79,540
Total noncurrent assets	19,796,255	2,460,273	1,083,291	-	23,339,819	79,540
Total assets	23,463,387	4,947,584	4,041,999	98,505	32,551,475	396,675
Deferred Outflows of Resources						
Pension plans	22,337	5,087	17,948	-	45,372	5,206
Liabilities						
Current Liabilities						
Interest payable	18,531	-	-	-	18,531	-
Accounts payable	23,429	14,038	269,601	2,378	309,446	9,097
Accrued wages payable	7,189	3,916	7,449	-	18,554	2,169
Compensated absences payable	-	-	-	-	-	41,379
Due to other governmental units	1,456	-	24,208	4,348	30,012	-
Current portion of long-term debt	199,464	-	7,151	-	206,615	-
Total current liabilities	250,069	17,954	308,409	6,726	583,158	52,645
Noncurrent Liabilities						
Bonds and notes payable	4,452,000	-	1,570,117	-	6,022,117	-
Leases	2,280	-	-	-	2,280	-
Compensated absences payable	-	-	-	-	-	321,680
Net pension liability	98,036	22,325	78,773	-	199,134	22,848
Total noncurrent liabilities	4,552,316	22,325	1,648,890	-	6,223,531	344,528
Total liabilities	4,802,385	40,279	1,957,299	6,726	6,806,689	397,173
Deferred Inflows of Resources						
Leases	56,649	-	-	-	56,649	-
Pension plans	70,789	16,120	56,879	-	143,788	16,498
Total deferred inflows of resources	127,438	16,120	56,879	-	200,437	16,498
Net Position						
Net investment in capital assets	15,099,577	2,460,273	270,043	-	17,829,893	79,540
Restricted	735,550	-	-	-	735,550	-
Unrestricted	2,720,774	2,435,999	1,775,726	91,779	7,024,278	(91,330)
Total net position	$ 18,555,901	$ 4,896,272	$ 2,045,769	$ 91,779	$ 25,589,721	$ (11,790)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2025

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Operating Revenues						
Charges for services	$ 2,304,809	$ 629,936	$ 2,538,386	$ 421,507	$ 5,894,638	$ 230,812
Cost of sales	-	-	(1,865,774)	-	(1,865,774)	(64,443)
Total operating revenues	2,304,809	629,936	672,612	421,507	4,028,864	166,369
Operating Expenses						
Water treatment	747,159	-	-	-	747,159	-
Water distribution	310,900	-	-	-	310,900	-
Water administration	175,567	127,339	-	-	302,906	-
Wastewater	-	259,452	-	-	259,452	-
Refuse collection	-	-	-	401,743	401,743	-
Other services and charges	-	-	549,597	-	549,597	153,770
Depreciation/amortization	551,140	110,921	12,314	-	674,375	6,361
Total operating expenses	1,784,766	497,712	561,911	401,743	3,246,132	160,131
Operating Income	520,043	132,224	110,701	19,764	782,732	6,238
Nonoperating Revenues (Expenses)						
Interest income	102,177	84,935	66,509	2,119	255,740	11,164
Other income	74,051	5,753	81	3,108	82,993	-
Interest expense	(52,796)	-	-	-	(52,796)	-
Special assessment - interest	1,808	61	-	-	1,869	-
Total nonoperating revenues	125,240	90,749	66,590	5,227	287,806	11,164
Income before Transfers	645,283	222,973	177,291	24,991	1,070,538	17,402
Transfers						
Transfers out	(59,626)	(46,526)	(50,000)	(22,000)	(178,152)	-
Change in Net Position	585,657	176,447	127,291	2,991	892,386	17,402
Net Position - Beginning	17,970,244	4,719,825	1,918,478	88,788	24,697,335	(29,192)
Net Position - Ending	$ 18,555,901	$ 4,896,272	$ 2,045,769	$ 91,779	$ 25,589,721	$ (11,790)

	Major Funds			Nonmajor Fund		Governmental Activities - Internal Service Funds
	Water	Sewer	Liquor	Refuse Collection	Totals	
Operating Activities						
Receipts from customers and users	$ 2,342,951	$ 637,298	$ 2,537,706	$ 430,114	$ 5,948,069	$ -
Receipts from interfund services provided	-	-	-	-	-	230,812
Payments to vendors	(1,020,969)	(250,955)	(1,432,744)	(399,613)	(3,104,281)	(76,441)
Payments to employees	(239,072)	(128,646)	(788,295)	-	(1,156,013)	(132,143)
Net Cash from Operating Activities	1,082,910	257,697	316,667	30,501	1,687,775	22,228
Noncapital Financing Activity						
Other income	74,051	5,753	81	3,108	82,993	-
Transfer out	(59,626)	(46,526)	(50,000)	(22,000)	(178,152)	-
Net Cash from (Used for) Noncapital Financing Activities	14,425	(40,773)	(49,919)	(18,892)	(95,159)	-
Capital and Related Financing Activities						
Acquisition of capital assets	(16,151)	(8,473)	(966,022)	-	(990,646)	-
Special assessments and other	4,594	196	-	-	4,790	-
Proceeds from issuance of bonds	-	-	1,470,000	-	1,470,000	-
Premium on issuance of bonds	-	-	107,268	-	107,268	-
Payments on long-term debt						
Principal	(197,420)	-	-	-	(197,420)	-
Interest	(53,580)	-	-	-	(53,580)	-
Net Cash from (Used for) Capital and Related Financing Activities	(262,557)	(8,277)	611,246	-	340,412	-
Investing Activity						
Interest earnings	102,177	84,935	66,509	2,119	255,740	11,164
Net Change in Cash, Cash Equivalents, and Restricted Cash	936,955	293,582	944,503	13,728	2,188,768	33,392
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,317,281	2,108,999	1,717,073	51,822	6,195,175	281,705
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 3,254,236	$ 2,402,581	$ 2,661,576	$ 65,550	$ 8,383,943	$ 315,097
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income	$ 520,043	$ 132,224	$ 110,701	$ 19,764	$ 782,732	$ 6,238
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation/amortization	551,140	110,921	12,314	-	674,375	6,361
Change in assets and liabilities						
Accounts receivable	19,213	7,362	(680)	8,607	34,502	-
Lease receivable	18,929	-	-	-	18,929	-
Inventories	11,540	-	(29,377)	-	(17,837)	-
Prepaid items	5,036	1,577	3,794	-	10,407	306
Accounts payable	10,575	11,781	227,806	2,096	252,258	(6,406)
Accrued wages payable	2,927	1,583	3,331	-	7,841	965
Deferred inflow of resources - leases	(22,993)	-	-	-	(22,993)	-
Net pension liability and related deferred inflows and outflows of resources	(32,945)	(7,751)	(11,917)	-	(52,613)	(5,898)
Due to other governmental units	(555)	-	695	34	174	-
Compensated absences payable	-	-	-	-	-	20,662
Net Cash from Operating Activities	$ 1,082,910	$ 257,697	$ 316,667	$ 30,501	$ 1,687,775	$ 22,228

Note 1 - Summary of Significant Accounting Policies

The City of Morris, Minnesota (the City of Morris or the City) was incorporated in 1903 and operates under a mayor-council form of government. The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. 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.

Based on the preceding criteria, the following blended component unit has been included in the accompanying financial statements:

- The Economic Development Authority (EDA or the Authority) governing board is substantively the same as the City Council. Debt issued for authority activities is payable from dedicated revenues such as tax increment levies and may pledge the faith and credit of the Authority and the City. Tax increment districts created and administered by the Authority are reported as special revenue funds. The EDA does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government’s finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government’s activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include: 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared 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.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis, 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 claims and judgments, are recorded when the payment is due.

Property 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 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.

The City reports the following major governmental funds:

- General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- East 7th Street Fund – This fund accounts for revenues and expenditures related to the East 7th Street construction project.

The City reports the following major proprietary funds:

- Water Fund – This fund accounts for the provision of water utility service to the residents of the City.
- Sewer Fund – This fund accounts for the provision of sewer service to residents of the City.
- Liquor Fund – This fund accounts for the operation of the City's municipal liquor store.

Additionally, the City reports the following fund type:

- Internal Service Funds – These funds account for the following activities provided to other departments of the City on a cost reimbursement basis: central garage and compensated absences.

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

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the City has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

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

Budgets

Budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund. In addition to the General Fund, the City adopted budgets for various nonmajor funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adjusted. Any changes in the budget must be approved by a majority vote of the City Council. The legal level of budgetary control is the department level. All unexpended appropriations lapse at year-end. The City does not utilize encumbrance accounting and reporting.

Formal budgetary policies are not employed for debt service funds and capital projects because effective budgetary control is alternatively achieved by council approval of individual projects and expenditures.

Cash, Investments, and Restricted Cash

The City maintains a cash and investment pool, which includes interest bearing checking accounts and money market funds that are used by substantially all city funds. Interest income is allocated to the funds based on average monthly cash and investment balances.

Investments include certificates of deposits with an original maturity of more than three months.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash.

Restricted cash for the City relates to funds set aside for future water treatment plant maintenance and replacement.

Receivables and Credit Policy

The accounts receivable are uncollateralized customer obligation due under normal terms requiring payment within 30 days from the invoice date. After 30 days, a penalty of 10% is added to the outstanding balance. After 45 days, if payment is not received, the service is disconnected. The City estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. As of December 31, 2025 and 2024, the allowance for doubtful accounts was zero.

Inventories

Inventories of the proprietary funds are presented on an average cost basis.

Prepaid Items

Certain cash payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, machinery and equipment, right-to-use leased property, and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated life of more than two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received.

Mains and lines, infrastructure, buildings, improvements and equipment of the City are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Mains and lines	35 - 50 years
Infrastructure	30 years
Building and improvements	20 - 40 years
Equipment	5 - 20 years

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease term, plus any direct costs necessary to place the lease asset into service. Right to use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Lease Receivables

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receives are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Stevens County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with state statues. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties to the City.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences – vacation, compensatory time, and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. City employees are granted vacation benefits based on years of employment with the City. Upon separation from the City, employees are compensated for unused vacation leave up to a maximum 35 days.

Compensatory Time

The City's policy permits certain employees to accumulate compensatory time for hours worked in excess of regular posted daily scheduled hours, which is eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation unless the employee has satisfied one or more conditions as described in the following paragraph. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Sick pay is earned and up to 800 hours may be accumulated by City employees. Upon retirement from employment, an employee with 30 or more years of service will receive 60% of his or her accumulated sick leave and a retiring employee with less than 30 years of service will receive 50% of his or her accumulated sick leave. In addition, any employee leaving employment prior to retirement in good standing and has had at least 10 years of continuous service and has accumulated at least 500 hours of sick leave will receive accumulated sick leave in the following amounts: 10 years of service receives 30%; 15 years of service receives 35%; 20 years of service receives 40%; 25 years of service receives 45%; 30 years of service receives 50%.

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 funds type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issuance 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.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

Other Postemployment Benefits

Under the provisions of the various employee and union contracts the City provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75.

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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net assets that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The City has one item that qualifies for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net 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 three types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and special assessments on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The second item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position. The third item is deferred inflows related to leases where the City is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) using the straight-line method over the term of the lease.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not include in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

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

- Nonspendable Fund Balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City will strive to maintain a minimum unrestricted general fund balance of at least 35% of the City's general fund operating budget, excluding the accounts associated within the restricted category of the combined total of the general fund committed, assigned, and unassigned fund balances. The first priority is to utilize the nonspendable fund balance. Restricted funds will be considered second, committed funds third, and assigned funds fourth when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Adoption of New Accounting Standard

As of January 1, 2025, the City adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was no effect of the implementation of this standard on disclosures during the year.

Note 2 - Legal Compliance

Deficit Fund Balance

Deficit fund balance existed in the following funds at December 31, 2025:

Nonmajor governmental funds	
MN DNR Shade Tree Grant	$ 1,624
Airport Taxilane Reconstruction	6,202
Airport Runway Extension	26,110
Nonmajor internal service funds	
Compensated Absences	52,015

No formal action is required or anticipated regarding the deficits. The deficits are expected to be eliminated in future years through grant revenues, transfers or contributions from other funds.

Note 3 - Cash and Investments

Cash and investments consist of the following at December 31, 2025:

	Carrying Value
Cash	
Checking and savings	$ 724,480
Other and cash on hand	1,850
Minnesota Municipal Money Market Fund	11,400,529
Investments	
Certificates of deposit	5,826,662
Municipal bonds	383,774
Total	$ 18,337,295

Cash and investments are included in the basic financial statements as follows:

Cash and investments - Governmental funds	$ 9,953,352
Cash and investments - Proprietary funds	7,648,393
Restricted cash - Proprietary funds	735,550
	$ 18,337,295

As of December 31, 2025 the City has the following investment maturities:

Investment Type	Fair Value	Less than 1 year	1-5 years
Certificates of Deposit	$ 5,826,662	$ 868,079	$ 4,958,583
Municipal Bonds	383,774	-	383,774

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2025, the City's bank balances were covered by insurance or collateral pledged and held in the City's name.

Custodial Credit Risk – Investments

The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. Investment pools are not subject to custodial credit risk categorization, as they are not evidenced by securities. The pool does not have a published credit quality rating.

Interest Rate Risk

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

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 quote prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. All City investments are considered level 2 inputs.

Credit Risk

State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2025, the City had approximately $643,000 in excess of FDIC-insured limits.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 515,820	$ -	$ -	$ 515,820
Construction in progress	11,375,900	2,597,174	8,324,455	5,648,619
Total capital assets, not being depreciated	11,891,720	2,597,174	8,324,455	6,164,439
Capital assets, being depreciated/amortized				
Buildings	6,276,858	-	-	6,276,858
Improvements other than buildings	4,835,047	8,324,455	-	13,159,502
Machinery and equipment	9,539,376	20,181	-	9,559,557
Infrastructure	17,646,756	-	-	17,646,756
Right-to-use leased property	9,374	-	9,374	-
Total capital assets, being depreciated/amortized	38,307,411	8,344,636	9,374	46,642,673
Less accumulated depreciation/amortization for				
Buildings	3,173,029	124,106	-	3,297,135
Improvements other than buildings	3,274,815	374,697	-	3,649,512
Machinery and equipment	6,271,289	481,342	-	6,752,631
Infrastructure	6,476,335	548,899	-	7,025,234
Right-to-use leased property	7,709	1,665	9,374	-
Total accumulated depreciation/amortization	19,203,177	1,530,709	9,374	20,724,512
Total capital assets, being depreciated/amortized, net	19,104,234	6,813,927	-	25,918,161
Governmental Activities Capital Assets, Net	$ 30,995,954	$ 9,411,101	$ 8,324,455	$ 32,082,600

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 187,412	$ 152,774	$ -	$ 340,186
Construction in progress	-	813,248	-	813,248
Total capital assets, not being depreciated	187,412	966,022	-	1,153,434
Capital assets, being depreciated/amortized				
Buildings	18,300,509	-	-	18,300,509
Improvements other than buildings	14,907,487	-	-	14,907,487
Machinery and equipment	1,508,703	24,624	-	1,533,327
Right-to-use leased property	7,269	-	-	7,269
Total capital assets, being depreciated/amortized	34,723,968	24,624	-	34,748,592
Less accumulated depreciation/amortization for				
Buildings	2,130,084	368,568	-	2,498,652
Improvements other than buildings	8,872,012	234,663	-	9,106,675
Machinery and equipment	926,665	69,690	-	996,355
Right-to-use leased property	2,005	1,454	-	3,459
Total accumulated depreciation/amortization	11,930,766	674,375	-	12,605,141
Total capital assets, being depreciated/amortized, net	22,793,202	(649,751)	-	22,143,451
Business-Type Activities Capital Assets, Net	$ 22,980,614	$ 316,271	$ -	$ 23,296,885

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

Governmental Activities	
General government	$ 27,696
Public safety	53,403
Public works	562,798
Culture and recreation	162,208
Airport	403,897
Transit	89,827
Other	230,880
Total depreciation/amortization expense - governmental activities	$ 1,530,709
Business-Type Activities	
Water	$ 551,140
Sewer	110,921
Liquor	12,314
Total depreciation/amortization expense - business-type activities	$ 674,375

Note 5 - Leases

Leases Receivable

The City has accrued a receivable for land and building leases. The remaining receivable for the leases were $64,149 for the year ended December 31, 2025. Deferred inflows related to these leases were $59,156 as of December 31, 2025. Interest revenue recognized on these leases was $2,296 for the year ended December 31, 2025. Principal receipts of $19,951 were recognized during the fiscal year. The interest rate on the leases is 3.03%. Final receipt is expected in fiscal year 2029.

Future principal and interest receipts are expected to be as follows:

Years Ending	Governmental Activities		Business-Type Activities	
June 30,	Principal	Interest	Principal	Interest
2026	$ 443	$ 57	$ 19,358	$ 1,620
2027	457	43	20,351	1,020
2028	471	29	16,739	408
2029	486	14	5,844	74
	$ 1,857	$ 143	$ 62,292	$ 3,122

Leases Payable

The City has entered into various lease agreements as lessee for the acquisition and use of office equipment. The City is required to make principal and interest payments through the year ending December 31, 2028. The leases have an interest rate of 3.03% based on the City's incremental borrowing rate at the inception of the leases.

The future principal and interest lease payments as of December 31, 2025, were as follows:

Years Ending	Business-Type Activities	
June 30,	Principal	Interest
2026	$ 1,464	$ 92
2027	1,509	46
2028	771	6
	$ 3,744	$ 144

Note 6 - Long-Term Debt

Changes in Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. bonds	$ 3,749,000	$ -	$ 683,000	$ 3,066,000	$ 465,000
G.O. improvement bonds	1,360,000	-	135,000	1,225,000	135,000
Direct borrowings	183,650	-	56,860	126,790	28,798
Leases Payable	1,830	-	1,830	-	-
Compensated absences*	342,397	20,662	-	363,059	41,379
Total governmental activities long-term liabilities	$ 5,636,877	$ 20,662	$ 876,690	$ 4,780,849	$ 670,177
Business-Type Activities					
G.O. tax abatement bonds	$ -	$ 1,470,000	$ -	$ 1,470,000	$ -
Unamortized bond premium	-	107,268	-	107,268	7,151
MN Public Facilities Authority	4,846,000	-	196,000	4,650,000	198,000
Leases Payable	5,164	-	1,420	3,744	1,464
Total business-type activities long-term liabilities	$ 4,851,164	$ 1,577,268	$ 197,420	$ 6,231,012	$ 206,615

*The roll-forward schedule only reports the net change in the compensated absences liability.

Governmental Activities

General Obligation Bonds

The following general obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City and are payable through property tax levies through the various debt service funds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
G.O. Refunding Bonds of 2013A	$ 2,860,000	2.0 - 2.5%	05/16/13	02/01/29	$ 490,000
G.O. Refunding Bonds of 2016A	2,875,000	2.0 - 2.3%	11/17/16	02/01/32	210,000
G.O. Refunding Bonds of 2020A	1,825,000	1.58%	03/19/20	02/01/29	346,000
G.O. Bonds of 2022A	2,240,000	3.0 - 4.0%	07/14/22	02/01/38	2,020,000
Total general obligation bonds					$ 3,066,000

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily through special assessments against properties benefited by improvements, from net revenues of the sewer, water and storm sewer systems which are owned and operated by the City and from property taxes levied and collected through the various debt service funds. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
Paid from special assessments and tax revenues					
G.O. Improvement Bonds of 2017A	$ 2,090,000	3.00%	05/25/17	02/01/33	$ 1,225,000

Direct Borrowings

The direct borrowings in the governmental funds are for the purchase of a wheel loader and a motor grader. Payments are made through the general fund. Total cost for the financed equipment is $527,814 with accumulated depreciation at year-end of $51,953.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
John Deere Financial - Motor Grader	$ 153,848	6.25%	07/01/24	7/1/2029	$ 126,790

The annual service requirements to maturity for direct borrowings at December 31, 2025 are as follows:

Years Ending	Direct Borrowings	
December 31,	Principal	Interest
2026	$ 28,798	$ 8,155
2027	30,650	6,303
2028	32,622	4,332
2029	34,720	2,233
	$ 126,790	$ 21,023

Business-Type Activities

General Obligation Tax Increment Bonds

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
Paid from liquor store revenues					
G.O. Tax Abatement Bonds, Series 2025A	$ 1,470,000	3.00%	11/05/25	02/01/41	$ 1,470,000

During the current year, the City issued $1,470,000 of General Obligation Tax Abatement Bonds, Series 2025A, to finance the construction and equipping of a municipal liquor store. The bonds are general obligations of the City, secured by its full faith and credit and taxing powers, and mature on February 1, 2041, with interest payable semiannually beginning August 1, 2026 and principal payable annually beginning February 2027. Principal and interest are payable from the Liquor Fund. As security for the bonds, the City is required to levy an amount inclusive of the adopted abatement levy sufficient to cover 105% of principal and interest payments; however, in any given year the City may make an irrevocable appropriation of funds actually on hand to reduce the amount otherwise to be levied. It is the City's intention that revenues of the municipal liquor store will be sufficient to satisfy the debt service payments and no amount will be required to be levied.

Minnesota Public Facilities Authority

The following bond was issued to finance improvements to the sewer and water utility system. It will be retired by user charges and is backed by the full faith and credit of the City. Payments are made from the water fund.

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Outstanding
MN Public Facilities Authority	$ 5,968,904	1.10%	08/08/17	08/20/46	$ 4,650,000

The annual service requirements to maturity for all bonded debt outstanding at December 31, 2025 are as follows:

Years Ending December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2026	$ 600,000	$ 125,623	$ 198,000	$ 100,352
2027	517,000	111,578	255,000	114,131
2028	506,000	98,229	277,000	108,675
2029	483,000	84,603	279,000	102,697
2030	340,000	72,903	287,000	96,571
2031 - 2035	1,335,000	203,355	1,545,000	381,226
2036 - 2040	510,000	31,000	1,709,000	202,650
2041 - 2045	-	-	1,324,000	55,952
2046	-	-	246,000	2,713
	$ 4,291,000	$ 727,291	$ 6,120,000	$ 1,164,967

Leases

Leases payable consists of lease liabilities as described in Note 5. Leases payable of the governmental activities are paid from the general fund. Leases payable of the business-type activities are paid from the water fund.

Compensated Absences

Compensated absences consists of earned but unused vacation, compensatory time, and sick leave as described in Note 1.

Conduit Debt

From time to time, the City has issued Revenue Bonds and Notes to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2025, there were three revenue bonds outstanding, with an aggregate principal amount payable of approximately $29,134,191.

Tax Increment Financing (TIF) Districts

The City has four active TIF Districts. For each of these, the City has entered into an agreement with the developer of the TIF District. Under each agreement, a Tax Increment Note is issued to aid in financing a project in accordance with Minnesota state statutes. After Note issuance, annual tax increments received by the City are paid to the developer to cover principal and interest payments of the associated Tax Increment Note. The developer bears the risk that increments collected over the life of the TIF will be less than sufficient to cover debt service requirements and the City bears responsibility to cover any shortfall. Accordingly, the Notes are not reported as liabilities in the accompanying financial statements.

For the year ended December 31, 2025, the City made $116,905 of tax increment payments to developers.

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 3% of the estimated market value. The legal debt limit as of December 31, 2025, was $12,161,322.

Note 7 - Other Post-Employment Benefits

A. Plan Description

The City of Morris other post-employment benefits plan is a defined benefit OPEB plan that provides a single-employer defined benefit health care plan to eligible retirees. This plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. Medical coverage is administrated by Midwest Health Benefits. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

Eligible participants and their dependents have access to other post-employment benefits of blended medical premiums of $919 for single coverage and $2,408 for family coverage. The implicit rate subsidy is only until Medicare eligibility.

C. Employees Covered by Benefit Terms

At the valuation date of December 31, 2023, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3
Active Employees Electing Coverage	25
	28

D. Total OPEB Liability

The City’s net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023.

E. Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Discount Rate	4.08 percent	
Healthcare Cost Trend Rates	6.9% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2075 and later years.	
Retiree Plan Participation	Future retirees electing coverage:	
	Safety employees	50%
	Non-safety employees	40%

The mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The actuarial assumptions used in the December 31, 2023, measurements were based on the results of an actuarial experience study as of July 1, 2023.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

F. Changes in the Total OPEB Liability

Balance at January 1, 2025	$ 166,235
Changes from the Prior Year:	
Service Cost	17,672
Interest Cost	6,414
Assumption Changes	(3,459)
Benefit Payments	(27,525)
Net Change	(6,898)
Balance at December 31, 2025	$ 159,337

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount Rate	3.08%	4.08%	5.08%
Total OPEB Liability	$ 170,802	$ 159,337	$ 148,759

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total OPEB Liability	$ 143,762	$ 159,337	$ 177,709

H. OPEB Expense

For the year ended December 31, 2025, the City recognized OPEB expense of $20,627.

Note 8 - Defined Benefit Pension Plans

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Qualified employees are also covered under a single-employer defined benefit pension plan of the Morris Fire Relief Association.

For the year ended December 31, 2025, the City reported its proportionate share of net pension assets, net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense (income) for each of the plans as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA - General Employees Fund	$ -	$ 170,123	$ 746,662	$ 539,139	$ (59,829)
Fire Relief Association	331,604	73,581	-	33,396	(99,145)
Total all plans	$ 331,604	$ 243,704	$ 746,662	$ 572,535	$ (158,974)

A. Plan Description

The City participates in the General Employees Retirement Plan (General Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *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.

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.

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

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

C. Contributions

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

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $148,367. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2025, the City reported a liability of $746,662 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 $18,012.

City's proportionate share of the net pension liability	$	746,662
State of Minnesota's proportionate share of the net pension liability associated with the City		18,012
Total	$	764,674

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 0.0225 percent at the end of the measurement period and 0.0231 percent for the beginning of the period.

For the year ended December 31, 2025, the City recognized reduction of pension expense of $59,829 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $2,763 as reduction of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 71,141	$ -
Changes in actuarial assumptions	17,991	171,805
Net collective difference between projected and actual investment earnings	-	297,104
Changes in proportion	-	70,230
Contributions paid to PERA subsequent to the measurement date	80,991	-
Total	$ 170,123	$ 539,139

The $80,991 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:

Years Ended June 30,	Pension Expense Amount
2026	$ (116,207)
2027	(170,064)
2028	(110,662)
2029	(53,074)

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100.00%	

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25 percent for the General Employees Plan.

Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. 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 following changes to the General Employees Fund actuarial assumptions and plan provisions occurred in 2025:

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.

G. Discount Rate

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

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 (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

1% Lower	6.00%	$ 1,813,526
Current Discount Rate	7.00%	746,662
1% Higher	8.00%	(118,804)

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.

Single Employer Defined Benefit Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Morris Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Morris Fire Department per Minnesota State Statutes. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at City Hall or by calling (320) 589-3141.

B. Benefits Provided

Volunteer firefighters of the City are members of the Morris Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached age 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Members Covered by Benefit Terms

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

Inactive members entitled to but not yet receiving benefits	1
Active members	33
	34

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of $68,429 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023.

Actuarial assumptions: The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Investment rate of return	7.00 percent
Mortality	Healthy Pre-retirement: Pub-2010 Public Safety Employee mortality tables projected with mortality improvements based on scale MP-2021. Healthy Post-retirement: Pub-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 0.98. Disabled: Pub-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 1.05.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percentage point.

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic equity	54.00%	4.52%
International equity	28.00%	5.08%
Fixed income	11.00%	2.44%
Real estate and alternatives	2.00%	3.73%
Cash and equivalents	5.00%	0.99%

Discount rate: The discount rate used to measure the total pension liability was 6.5%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at January 1, 2024, plan year	$ 648,359	$ 880,818	$ (232,459)
Changes from the Prior Year:			
Service Cost	30,443	-	30,443
Interest Cost	47,516	-	47,516
Contributions - state and local	-	57,181	(57,181)
Net investment income	-	119,923	(119,923)
Net Changes	77,959	177,104	(99,145)
Balances at December 31, 2024, plan year	$ 726,318	$ 1,057,922	$ (331,604)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher 8.0%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	$ (303,756)	$ (331,604)	$ (358,689)

Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

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

For the year ended December 31, 2025, the City recognized pension expense of $99,145. 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
Difference between expected and actual liability	$ -	$ 8,358
Changes of assumptions	5,152	11,261
Net difference between projected and actual investment earnings	-	13,777
Contributions to the plan subsequent to the measurement date	68,429	-
	$ 73,581	$ 33,396

The $68,429 reported as deferred outflows of resources related to pensions resulting from 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 of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2026	$ 3,724
2027	12,064
2028	(22,742)
2029	(13,099)
2030	(1,569)
Thereafter	(6,622)

Note 9 - Public Employees Defined Contribution Plan (Defined Contribution Plan)

Four elected officials are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D and 356 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$ 1,250	$ 1,250	5%	5%	5%

Note 10 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not act in a trustee capacity for the deferred compensation plan, nor does the City hold any control or ability to direct use or exchange of the assets. Accordingly, the plan is not reported in the City’s financial statements.

Note 11 - Interfund Transfers, Receivables, and Payables

Interfund transfers were completed for the following reasons during 2025:

	Transfer Out						
	General	Other Governmental	Water	Sewer	Liquor	Refuse Collection	Total
Transfer in							
General	$ -	$ -	$ -	$ -	$ 50,000	$ 22,000	$ 72,000
Other Governmental	21,720	80,800	59,626	46,526	-	-	208,672
Total	$ 21,720	$ 80,800	$ 59,626	$ 46,526	$ 50,000	$ 22,000	$ 280,672

Transfers are made for funding various projects and meeting debt service payments.

During the year ended December 31, 2025, interfund advances were made from the general fund to the Airport Runway Extension fund, Airport Taxilane Reconstruction fund, and MN DNR Share Tree Grant fund in order to fund construction project expenditures made prior to receiving grant funds. These advances will be repaid once grants funds are received.

Advances due from other funds	
General	$ 545,000

Advances due to other funds	
Airport Runway Extension	$ 320,000
Airport Taxilane Reconstruction	210,000
MN DNR Shade Tree Grant	15,000
Total	$ 545,000

Note 12 - Fund Balances

The City classified fund balances within the governmental funds as follows at December 31, 2025:

	General	East 7th Street	Other Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventories	$ 33,319	$ -	$ -	$ 33,319
Prepaid items	70,980	-	10,694	81,674
	104,299	-	10,694	114,993
Restricted				
East 7th Street construction	-	-	-	-
Debt service	-	-	1,702,530	1,702,530
Capital projects	-	-	195,016	195,016
Library	-	-	57,058	57,058
Economic development	-	-	292,809	292,809
Public safety	-	-	125,473	125,473
Stormwater administration	-	-	242,442	242,442
Rural energy	-	-	315,629	315,629
Lodging tax	-	-	345,958	345,958
LCCMR grant	-	-	20,087	20,087
WCI grant	-	-	86	86
	-	-	3,297,088	3,297,088
Committed				
Working capital	1,851,101	-	-	1,851,101
Unassigned	4,608,078	(216,959)	(33,936)	4,357,183
Total fund balances	$ 6,563,478	$ (216,959)	$ 3,273,846	$ 9,620,365

Note 13 - Risk Management

The City maintains its general property, automobile, workmen's compensation and liability coverage through the League of Minnesota Cities Insurance Trust. The insurance coverage of this trust is considered to be adequate to cover unexpected claims against the City. The City retains the responsibility to cover any settlements exceeding the specific coverage. There was no reduction in coverage from the prior year and settlements have not exceeded insurance coverage in the past three years.

Note 14 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Management does not anticipate any significant losses that would not be covered by insurance.

Note 15 - Construction Commitments

As of December 31, 2025, the City has completed to date approximately $6,462,000 of construction costs and has approximately $1,888,000 in construction commitments remaining for liquor store construction, and various capital improvement projects of the City. These projects are expected to be completed in 2026.

Note 16 - Tax Abatements

The Council provides tax abatements through one program, Property Tax Abatement Property and the installation of related Site Improvements. For the fiscal year ended December 31, 2025, the City had $21,689 in abatements associated with this program.

Note 17 - Restatement

During fiscal year 2025, there was a change within the financial reporting entity which resulted in the airport apron extension fund being reported as other governmental funds instead of as a major fund. As a result, fund balance of the airport apron extension fund of $3,445 which was previously reported in the airport apron extension fund column is now reported in the other governmental funds column and the other governmental funds beginning fund balance has been adjusted by $3,445. This resulted in adjustments to and restatements of beginning fund balance to nonmajor funds as follows:

	January 1, 2025, As Previously Reported	Change to or Within the Financial Reporting Entity	January 1, 2025, As Restated
Governmental Funds			
Major Funds:			
Airport Apron Extension	3,445	(3,445)	-
Nonmajor Funds	3,262,124	3,445	3,265,569

Required Supplementary Information
December 31, 2025

City of Morris, Minnesota

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 17,672	$ 5,884	$ 18,629	$ 20,938	$ 17,666	$ 9,414	$ 14,081	$ 12,116
Interest	6,414	5,238	4,960	5,380	6,902	6,455	7,096	7,789
Differences between Expected and actual experience	-	36,720	(108,413)	6,144	-	52,332	-	-
Changes of Assumptions	(3,459)	8,444	(15,164)	(5,315)	12,724	19,479	(40,227)	6,961
Benefit Payments	(27,525)	(27,008)	(27,932)	(20,670)	(24,431)	(13,432)	(19,896)	(17,878)
Net Change in Total OPEB Liability	(6,898)	29,278	(127,920)	6,477	12,861	74,248	(38,946)	8,988
Total OPEB Liability - Beginning	166,235	136,957	264,877	258,400	245,539	171,291	210,237	201,249
Total OPEB Liability - Ending	$ 159,337	$ 166,235	$ 136,957	$ 264,877	$ 258,400	$ 245,539	$ 171,291	$ 210,237
Covered-Employee Payroll	$ 1,889,192	$ 1,148,289	$ 1,965,836	$ 2,086,653	$ 2,107,130	$ 2,014,021	$ 1,928,861	$ 1,738,164
Total OPEB Liability as A Percentage of covered-employee payroll	8.43%	14.48%	6.97%	12.69%	12.26%	12.19%	8.88%	12.10%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Changes in the City's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Schedule of Employer's Proportionate Share of Net Pension Liability
Last 10 Fiscal Years

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees	6/30/2025	0.0225%	$ 746,662	$ 18,012	$ 764,674	$ 1,934,083	38.6%	90.8%
General Employees	6/30/2024	0.0231%	854,040	22,084	876,124	1,852,258	46.1%	89.1%
General Employees	6/30/2023	0.0244%	1,364,422	37,653	1,402,075	1,828,525	74.6%	83.1%
General Employees	6/30/2022	0.0246%	1,948,328	57,297	2,005,625	1,732,370	112.5%	76.7%
General Employees	6/30/2021	0.0246%	1,050,530	32,016	1,082,546	1,663,293	63.2%	97.9%
General Employees	6/30/2020	0.0241%	1,444,905	44,658	1,489,563	1,614,400	89.5%	79.1%
General Employees	6/30/2019	0.0231%	1,277,147	39,665	1,316,812	1,506,987	84.7%	80.2%
General Employees	6/30/2018	0.0239%	1,325,874	43,343	1,369,217	1,505,417	88.1%	79.5%
General Employees	6/30/2017	0.0241%	1,538,528	19,313	1,557,841	1,483,833	103.7%	75.9%
General Employees	6/30/2016	0.0255%	2,070,474	27,007	2,097,481	1,472,296	140.6%	68.9%

Schedule of Employer's Contributions
Last 10 Fiscal Years

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
General Employees	12/31/2025	$ 160,060	$ 160,060	$ -	$ 2,134,133	7.5%
General Employees	12/31/2024	148,367	148,367	-	1,978,227	7.5%
General Employees	12/31/2023	143,147	143,147	-	1,908,627	7.5%
General Employees	12/31/2022	138,398	138,398	-	1,845,307	7.5%
General Employees	12/31/2021	137,468	137,468	-	1,832,907	7.5%
General Employees	12/31/2020	135,754	135,754	-	1,810,053	7.5%
General Employees	12/31/2019	125,196	125,196	-	1,669,280	7.5%
General Employees	12/31/2018	123,266	123,266	-	1,643,542	7.5%
General Employees	12/31/2017	116,244	116,244	-	1,549,920	7.5%
General Employees	12/31/2016	118,272	118,272	-	1,576,960	7.5%

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

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):

- 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.

2024 Changes

Changes in Actuarial Assumptions

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.

Changes in Plan Provisions

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

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

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

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.50% 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.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Schedule of Changes in Net Pension Liability (Asset)
Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020
Total Pension Liability						
Service Cost	$ 30,443	$ 29,339	$ 28,078	$ 26,282	$ 24,875	$ 24,328
Interest	47,516	40,165	36,224	34,982	33,662	29,833
Difference between expected and actual experience	-	(8,303)	-	(2,483)	-	-
Changes of assumption	-	(13,889)	-	2,611	6,041	-
Changes of benefit terms	-	12,459	10,912	20,321	-	-
Benefit payments, including refunds of member contributions	-	-	(31,683)	(57,250)	-	-
Net change in total pension liability	77,959	59,771	43,531	24,463	64,578	54,161
Beginning of year	648,359	588,588	545,057	520,594	456,016	401,855
End of year	$ 726,318	$ 648,359	$ 588,588	$ 545,057	$ 520,594	$ 456,016
Plan Fiduciary Net Position						
Contributions - state and local	$ 57,181	$ 50,215	$ 48,513	$ 47,969	$ 46,081	$ 44,355
Contributions - donations and other income	-	-	577	685	-	-
Net investment income	119,923	95,982	(119,395)	89,612	54,565	122,846
Benefit payments, including refunds of member contributions	-	-	(31,683)	(57,250)	-	-
Administrative expense	-	(52)	-	(2,380)	(8,720)	(6,090)
Net change in plan fiduciary net position	177,104	146,145	(101,988)	78,636	91,926	161,111
Beginning of year	880,818	734,673	836,661	758,025	666,099	504,988
End of year	$ 1,057,922	$ 880,818	$ 734,673	$ 836,661	$ 758,025	$ 666,099
Net Pension Liability (Asset)	$ (331,604)	$ (232,459)	$ (146,085)	$ (291,604)	$ (237,431)	$ (210,083)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.66%	135.85%	124.82%	153.50%	145.61%	146.07%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

Schedule of Employer Contributions and Non-Employer Contributing Entities
Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020
Employer						
Statutorily determined Contribution (SDC)	$ -	$ -	$ -	$ -	$ -	$ -
Contributions made	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Non-Employer						
2% aid	$ 57,181	$ 50,215	$ 48,513	$ 47,969	$ 46,081	$ 44,355

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

Supplementary Information
December 31, 2025

City of Morris, Minnesota

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 1,400,272	$ 1,702,530	$ 374,638	$ 3,477,440
Receivables				
Accounts	30,304	-	-	30,304
Property taxes	612	3,730	-	4,342
Special assessments	-	857,021	-	857,021
Intergovernmental	36,319	-	437,066	473,385
Prepaid items	10,694	-	-	10,694
Total assets	$ 1,478,201	$ 2,563,281	$ 811,704	$ 4,853,186
Liabilities				
Accounts payable	$ 12,776	$ -	$ 119,000	$ 131,776
Accrued salaries and wages	8,582	-	-	8,582
Due to other governmental units	14	-	-	14
Advances due to other funds	15,000	-	530,000	545,000
Total liabilities	36,372	-	649,000	685,372
Deferred Inflows of Resources				
Unavailable revenue-property taxes	612	3,730	-	4,342
Unavailable revenue-special assessments	-	857,021	-	857,021
Unavailable revenue	32,605	-	-	32,605
Total deferred inflows of resources	33,217	860,751	-	893,968
Fund Balances				
Nonspendable	10,694	-	-	10,694
Restricted	1,399,542	1,702,530	195,016	3,297,088
Unassigned	(1,624)	-	(32,312)	(33,936)
Total fund balances	1,408,612	1,702,530	162,704	3,273,846
Total liabilities, deferred inflows of resources, and fund balances	$ 1,478,201	$ 2,563,281	$ 811,704	$ 4,853,186

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	$ 76,267	$ 412,520	$ -	$ 488,787
Tax increments	142,743	-	-	142,743
Special assessments	-	197,926	-	197,926
Intergovernmental revenue	366,988	-	22,536	389,524
Charges for service	135,291	-	-	135,291
Lodging tax	86,168	-	-	86,168
Contributions and donations	25,053	-	-	25,053
Interest earnings	47,560	52,248	12,138	111,946
Miscellaneous revenues	484	-	-	484
Total revenues	880,554	662,694	34,674	1,577,922
Expenditures				
Current				
Culture and recreation	404,456	-	-	404,456
Airport	-	-	14,836	14,836
Conservation and economic development	122,372	-	-	122,372
Other	224,103	-	-	224,103
Capital outlay	8,182	-	12,504	20,686
Debt service				
Principal	485	818,000	-	818,485
Interest and fees	814	148,862	13,353	163,029
Total expenditures	760,412	966,862	40,693	1,767,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	120,142	(304,168)	(6,019)	(190,045)
Other Financing Sources (Uses)				
Transfers from other funds	21,720	186,952	-	208,672
Transfers to other funds	(80,800)	-	-	(80,800)
Total other financing sources (uses)	(59,080)	186,952	-	127,872
Net Change in Fund Balances	61,062	(117,216)	(6,019)	(62,173)
Fund Balance - Beginning, as previously reported	1,347,550	1,819,746	165,278	3,332,574
Adjustments (Note 17)	-	-	3,445	3,445
Fund Balance - Beginning, as restated	1,347,550	1,819,746	168,723	3,336,019
Fund Balance - Ending	$ 1,408,612	$ 1,702,530	$ 162,704	$ 3,273,846

	Library	Public Safety Aid	Rural Energy Prize	WCI Grant Morris Strategic PL	MN DNR Shade Tree Grant	EDA Tax Increment District #4	EDA Tax Increment District #8
Assets							
Cash and investments	$ 75,591	$ 125,473	$ 315,629	$ 86	$ 9,662	$ 657	$ 829
Receivables							
Accounts	-	-	-	-	-	-	-
Property taxes	612	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,714	-	-
Prepaid items	9,568	-	-	-	-	-	-
Total assets	$ 85,771	$ 125,473	$ 315,629	$ 86	$ 13,376	$ 657	$ 829
Liabilities							
Accounts payable	$ 12,534	$ -	$ -	$ -	$ -	$ -	$ -
Accrued salaries and wages	5,985	-	-	-	-	-	-
Advances due to other funds	-	-	-	-	15,000	-	-
Due to other governmental units	14	-	-	-	-	-	-
Total liabilities	18,533	-	-	-	15,000	-	-
Deferred Inflows of Resources							
Unavailable revenue-property taxes	612	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	612	-	-	-	-	-	-
Fund Balances (Deficit)							
Nonspendable	9,568	-	-	-	-	-	-
Restricted	57,058	125,473	315,629	86	-	657	829
Unassigned	-	-	-	-	(1,624)	-	-
Total fund balances (Deficit)	66,626	125,473	315,629	86	(1,624)	657	829
Total liabilities, deferred inflows of resources, and fund balances	$ 85,771	$ 125,473	$ 315,629	$ 86	$ 13,376	$ 657	$ 829

	EDA Tax Increment District #15	EDA Tax Increment District #16	Stormwater Admin	Lodging Tax	LCCMR Grant	Releaf Project Grant	Total Nonmajor Special Revenue Funds
Assets							
Cash and investments	$ 265,434	$ 25,889	$ 234,461	$ 324,830	$ 21,731	$ -	$ 1,400,272
Receivables							
Accounts	-	-	9,176	21,128	-	-	30,304
Property taxes	-	-	-	-	-	-	612
Intergovernmental	-	-	-	-	32,605	-	36,319
Prepaid items	-	-	1,094	-	32	-	10,694
Total assets	$ 265,434	$ 25,889	$ 244,731	$ 345,958	$ 54,368	$ -	$ 1,478,201
Liabilities							
Accounts payable	$ -	$ -	$ 242	$ -	$ -	$ -	$ 12,776
Accrued salaries and wages	-	-	953	-	1,644	-	8,582
Advances due to other funds	-	-	-	-	-	-	15,000
Due to other governmental units	-	-	-	-	-	-	14
Total liabilities	-	-	1,195	-	1,644	-	36,372
Deferred Inflows of Resources							
Unavailable revenue-property taxes	-	-	-	-	-	-	612
Unavailable revenue	-	-	-	-	32,605	-	32,605
Total deferred inflows of resources	-	-	-	-	32,605	-	33,217
Fund Balances (Deficit)							
Nonspendable	-	-	1,094	-	32	-	10,694
Restricted	265,434	25,889	242,442	345,958	20,087	-	1,399,542
Unassigned	-	-	-	-	-	-	(1,624)
Total fund balances (Deficit)	265,434	25,889	243,536	345,958	20,119	-	1,408,612
Total liabilities, deferred inflows of resources, and fund balances	$ 265,434	$ 25,889	$ 244,731	$ 345,958	$ 54,368	$ -	$ 1,478,201

	Library	Public Safety Aid	Rural Energy Prize	WCI Grant Morris Strategic PL	MN DNR Shade Tree Grant	EDA Tax Increment District #4	EDA Tax Increment District #8
Revenues							
Property taxes	$ 76,267	$ -	$ -	$ -	$ -	$ -	$ -
Tax increments	-	-	-	-	-	-	-
Intergovernmental revenue	326,012	-	-	-	4,796	-	-
Charges for service	1,771	-	-	-	-	-	-
Lodging tax	-	-	-	-	-	-	-
Contributions and donations	25,053	-	-	-	-	-	-
Interest earnings	-	4,749	11,823	-	-	23	29
Miscellaneous revenues	480	-	-	-	4	-	-
Total revenues	429,583	4,749	11,823	-	4,800	23	29
Expenditures							
Current							
Culture and recreation	404,456	-	-	-	-	-	-
Conservation and economic development	-	-	-	-	5,467	-	-
Other	-	27,650	1,313	-	-	-	-
Capital outlay	8,182	-	-	-	-	-	-
Debt service							
Principal	485	-	-	-	-	-	-
Interest and fees	814	-	-	-	-	-	-
Total expenditures	413,937	27,650	1,313	-	5,467	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,646	(22,901)	10,510	-	(667)	23	29
Other Financing Sources (Uses)							
Transfers from other funds	21,720	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	21,720	-	-	-	-	-	-
Net Change in Fund Balances	37,366	(22,901)	10,510	-	(667)	23	29
Fund Balance (Deficit) - Beginning	29,260	148,374	305,119	86	(957)	634	800
Fund Balance (Deficit) - Ending	$ 66,626	$ 125,473	$ 315,629	$ 86	$ (1,624)	$ 657	$ 829

	EDA Tax Increment District #15	EDA Tax Increment District #16	Stormwater Admin	Lodging Tax	LCCMR Grant	Releaf Project Grant	Total Nonmajor Special Revenue Funds
Revenues							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 76,267
Tax increments	121,226	21,517	-	-	-	-	142,743
Intergovernmental revenue	-	-	-	-	-	36,180	366,988
Charges for service	-	-	133,520	-	-	-	135,291
Lodging tax	-	-	-	86,168	-	-	86,168
Contributions and donations	-	-	-	-	-	-	25,053
Interest earnings	9,260	659	7,171	12,161	1,685	-	47,560
Miscellaneous revenues	-	-	-	-	-	-	484
Total revenues	130,486	22,176	140,691	98,329	1,685	36,180	880,554
Expenditures							
Current							
Culture and recreation	-	-	-	-	-	-	404,456
Conservation and economic development	98,595	18,310	-	-	-	-	122,372
Other	-	-	53,668	71,043	34,249	36,180	224,103
Capital outlay	-	-	-	-	-	-	8,182
Debt service							
Principal	-	-	-	-	-	-	485
Interest and fees	-	-	-	-	-	-	814
Total expenditures	98,595	18,310	53,668	71,043	34,249	36,180	760,412
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,891	3,866	87,023	27,286	(32,564)	-	120,142
Other Financing Sources (Uses)							
Transfers from other funds	-	-	-	-	-	-	21,720
Transfers to other funds	(80,800)	-	-	-	-	-	(80,800)
Total other financing sources (uses)	(80,800)	-	-	-	-	-	(59,080)
Net Change in Fund Balances	(48,909)	3,866	87,023	27,286	(32,564)	-	61,062
Fund Balance (Deficit) - Beginning	314,343	22,023	156,513	318,672	52,683	-	1,347,550
Fund Balance (Deficit) - Ending	$ 265,434	$ 25,889	$ 243,536	$ 345,958	$ 20,119	$ -	$ 1,408,612

	2013A G.O. Improvement Bonds	2016A G.O. Improvement Bonds	2017A G.O. Improvement Bonds	2020A G.O. Refunding Bonds	2022A G.O. Bonds	Total Nonmajor Debt Service Funds
Assets						
Cash and investments	$ 297,592	$ 466,411	$ 527,741	$ 161,106	$ 249,680	$ 1,702,530
Receivables						
Property taxes	381	139	713	1,607	890	3,730
Special assessments	201,064	60,563	224,489	54,506	316,399	857,021
Total assets	$ 499,037	$ 527,113	$ 752,943	$ 217,219	$ 566,969	$ 2,563,281
Deferred Inflows of Resources						
Unavailable revenue-property taxes	$ 381	$ 139	$ 713	$ 1,607	$ 890	$ 3,730
Unavailable revenue-special assessments	201,064	60,563	224,489	54,506	316,399	857,021
Total deferred inflows of resources	201,445	60,702	225,202	56,113	317,289	860,751
Fund Balances						
Restricted	297,592	466,411	527,741	161,106	249,680	1,702,530
Total deferred inflows of resources and fund balances	$ 499,037	$ 527,113	$ 752,943	$ 217,219	$ 566,969	$ 2,563,281

	2013A G.O. Refunding Bonds	2016A G.O. Improvement Bonds	2017A G.O. Improvement Bonds	2020A G.O. Refunding Bonds	2022A G.O. Bonds	Total Nonmajor Debt Service Funds
Revenues						
Property taxes	$ 35,782	$ 835	$ 83,976	$ 187,437	$ 104,490	$ 412,520
Special assessments	47,827	15,697	52,358	22,985	59,059	197,926
Interest earnings	8,506	17,426	17,092	3,493	5,731	52,248
Total revenues	92,115	33,958	153,426	213,915	169,280	662,694
Expenditures						
Debt service						
Principal	195,000	125,000	135,000	228,000	135,000	818,000
Interest and fees	14,250	6,730	39,400	12,177	76,305	148,862
Total expenditures	209,250	131,730	174,400	240,177	211,305	966,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,135)	(97,772)	(20,974)	(26,262)	(42,025)	(304,168)
Other Financing Sources						
Transfers from other funds	90,515	-	11,489	22,649	62,299	186,952
Net Change in Fund Balances	(26,620)	(97,772)	(9,485)	(3,613)	20,274	(117,216)
Fund Balance - Beginning	324,212	564,183	537,226	164,719	229,406	1,819,746
Fund Balance - Ending	$ 297,592	$ 466,411	$ 527,741	$ 161,106	$ 249,680	$ 1,702,530

	Airport Apron Expansion	Airport Taxilane Reconstruction	Airport Runway Extension	2022 Streets Project	Total Nonmajor Capital Project Funds
Assets					
Cash and investments	$ 11,687	$ 29,214	$ 31,408	$ 302,329	$ 374,638
Receivables					
Intergovernmental	-	174,584	262,482	-	437,066
Total assets	$ 11,687	$ 203,798	$ 293,890	$ 302,329	$ 811,704
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 119,000	$ 119,000
Advances due to other funds	-	210,000	320,000	-	530,000
Total liabilities	-	210,000	320,000	119,000	649,000
Fund Balances (Deficit)					
Restricted	11,687	-	-	183,329	195,016
Unassigned	-	(6,202)	(26,110)	-	(32,312)
Total fund balances (Deficit)	11,687	(6,202)	(26,110)	183,329	162,704
Total liabilities, deferred inflows of resources, and fund balances	$ 11,687	$ 203,798	$ 293,890	$ 302,329	$ 811,704

	Airport Apron Expansion	Airport Taxilane Reconstruction	Airport Runway Extension	2022 Streets Project	Total Nonmajor Capital Project Funds
Revenues					
Intergovernmental revenue	$ 22,536	$ -	$ -	$ -	$ 22,536
Interest earnings	542	-	-	11,596	12,138
Total revenues	23,078	-	-	11,596	34,674
Expenditures					
Current					
Airport	14,836	-	-	-	14,836
Capital outlay	-	-	-	12,504	12,504
Debt service					
Interest and fees	-	5,091	8,262	-	13,353
Total expenditures	14,836	5,091	8,262	12,504	40,693
Net Change in Fund Balances	8,242	(5,091)	(8,262)	(908)	(6,019)
Fund Balance (Deficit) - Beginning, as previously reported	-	(1,111)	(17,848)	184,237	165,278
Adjustments (Note 17)	3,445	-	-	-	3,445
Fund Balance (Deficit) - Beginning, as restated	3,445	(1,111)	(17,848)	184,237	168,723
Fund Balance (Deficit) - Ending	$ 11,687	$ (6,202)	$ (26,110)	$ 183,329	$ 162,704

	Central Garage Fund	Compensated Absences Fund	Total
Assets			
Current Assets			
Cash and investments	$ 4,053	$ 311,044	$ 315,097
Prepaid items	2,038	-	2,038
Total current assets	6,091	311,044	317,135
Capital Assets			
Improvements other than buildings	22,853	-	22,853
Machinery and equipment	113,973	-	113,973
Less accumulated depreciation	(57,286)	-	(57,286)
Net capital assets	79,540	-	79,540
Total assets	85,631	311,044	396,675
Deferred Outflows of Resources			
Pension plan	5,206	-	5,206
Liabilities			
Current Liabilities			
Accounts payable	9,097	-	9,097
Salaries and wages payable	2,169	-	2,169
Compensated absences payable	-	41,379	41,379
Total current liabilities	11,266	41,379	52,645
Long-term Liabilities			
Compensated absences payable	-	321,680	321,680
Net pension liability	22,848	-	22,848
Total long-term liabilities	22,848	321,680	344,528
Total Liabilities	34,114	363,059	397,173
Deferred Inflows of Resources			
Pension plans	16,498	-	16,498
Net Position (Deficit)			
Investment in capital assets	79,540	-	79,540
Unrestricted	(39,315)	(52,015)	(91,330)
Total Net Position	$ 40,225	$ (52,015)	$ (11,790)

	Central Garage Fund	Compensated Absences Fund	Total
Operating Revenues:			
Charges for service	$ 194,178	$ 36,634	$ 230,812
Cost of sales	(64,443)	-	(64,443)
Total operating revenues	129,735	36,634	166,369
Operating Expenses:			
Other services and charges	120,190	33,580	153,770
Depreciation/amortization	6,361	-	6,361
Total operating expenses	126,551	33,580	160,131
Operating Income	3,184	3,054	6,238
Nonoperating Revenue			
Interest income	-	11,164	11,164
Change in net position	3,184	14,218	17,402
Net Position - Beginning	37,041	(66,233)	(29,192)
Net Position - Ending	$ 40,225	$ (52,015)	$ (11,790)

	Central Garage Fund	Compensated Absences Fund	Total
Operating Activities			
Receipts from interfund services provided	$ 194,178	$ 36,634	$ 230,812
Payments to vendors	(76,441)	-	(76,441)
Payments to employees	(119,225)	(12,918)	(132,143)
Net Cash from (Used for) Operating Activities	(1,488)	23,716	22,228
Investing Activity			
Interest earnings	-	11,164	11,164
Net Change in Cash and Cash Equivalents	(1,488)	34,880	33,392
Cash and Cash Equivalents, Beginning of Year	5,541	276,164	281,705
Cash and Cash Equivalents, End of Year	$ 4,053	$ 311,044	$ 315,097
Reconciliation of Operating Income to Net Cash from (Used for) Operating Activities			
Operating Income	$ 3,184	$ 3,054	$ 6,238
Adjustments to reconcile operating income from net cash from (used for) operating activities			
Depreciation/amortization	6,361	-	6,361
Changes in assets and liabilities			
Prepaid items	306	-	306
Net pension liability and related deferred inflows and outflows of resources	(5,898)	-	(5,898)
Accounts payable	(6,406)	-	(6,406)
Accrued wages payable	965	-	965
Accrued compensated absences	-	20,662	20,662
Net Cash from (Used for) Operating Activities	$ (1,488)	$ 23,716	$ 22,228

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	
Department of Defense				
Passed through Minnesota Military Affairs				
National Guard Military Operations and Maintenance Projects	12.401	Unknown		$ 684
Department of Transportation				
Passed through the Minnesota Department of Transportation				
Airport Improvement Program	20.106	A7501-39	$ 14,835	
Highway Planning and Construction	20.205	1059164	1,417,889	
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1054523	91,487	
Total Department of Transportation				1,524,211
Total Federal Financial Assistance				$ 1,524,895

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the de minimis cost rate of up to 15 percent.

Other Reports
December 31, 2025

City of Morris, Minnesota

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris (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 May 19, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
May 19, 2026

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
May 19, 2026

Independent Auditor's Report on *Minnesota Legal Compliance*

The Honorable Mayor and
Members of the City Council
City of Morris, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morris, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2026.

In connection with our audit, we noted the City failed to comply with provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the accompanying schedule of findings and questioned costs as item 2025-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
May 19, 2026

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Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Highway Planning and Construction	20.205

Dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2025-001 Preparation of Financial Statements, Including Proposed Journal Entries
Material Weakness

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, in addition to proposing related journal entries. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing their financial statements including proposed journal entries.

Cause – The City does not have an internal control system to provide for the preparation of the financial statements being audited.

Effect – The information in the financial statements could be inaccurate/incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – *Minnesota Legal Compliance* Findings

2025-002 Failure to Obtain Contractor's Performance and Payment Bonds
Contracting – Bid Laws

Criteria – A good system of internal accounting controls contemplates an adequate system for compliance with the Minnesota State Statutes. Statute 574.26 requires that Contractors doing public work are required to give both a performance bond and a payment bond in an amount not less than the contract price if the contract is more than $175,000.

Condition – During the course of our engagement, we noted that the City did not obtain the performance bond or the payment bond related to the vendor who performed work on the Wells Park bathroom and concession remodeling project.

Cause – The City does not have an internal control system designed to properly review bidding requirements and ensure that contractor bonds are obtain in accordance with the Minnesota State Statutes.

Effect – The finding could result in City funds being misused.

Recommendation – We recommend the City put procedures in place to properly obtain contractor bonds in accordance with Minnesota State Statutes before construction projects take place.

Views of Responsible Officials – Management agrees with the finding.