

**CITY OF BLACKDUCK, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2020**



**CITY OF BLACKDUCK, MINNESOTA**  
**DECEMBER 31, 2020**

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**CITY OF BLACKDUCK, MINNESOTA**  
**OFFICIAL DIRECTORY**  
**DECEMBER 31, 2020**  
**(Unaudited)**

		<b><u>Term Expires</u></b>
<b>Mayor</b>	<b>Maxwell Gullette</b>	<b>12/31/22</b>
<b>Council</b>	<b>Nicholas Seitz</b>	<b>12/31/24</b>
	<b>Jason Kolb</b>	<b>12/31/22</b>
	<b>Sheldon Ostlund</b>	<b>12/31/22</b>
<b>Administrator</b>	<b>Christina Regas</b>	<b>Appointive</b>



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

## City of Blackduck, Minnesota

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's and Non-Employer Proportionate Share of the Net Pension Liability, the Schedule of City's Contributions, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Blackduck Fire Relief Association, Schedule of Employer and Non-Employer Contributions – Blackduck Fire Relief Association and Schedule of Investment Returns – Blackduck Fire Relief Association on pages 5 through 11 and pages 57 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blackduck, Minnesota's basic financial statements. The official directory, the combining and individual nonmajor fund financial statements, and the comparative proprietary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the comparative proprietary fund financial statements are the responsibility of management and were derived



City of Blackduck, Minnesota

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

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of the City of Blackduck, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Blackduck, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blackduck, Minnesota's internal control over financial reporting and compliance.

*Miller McDonald, Inc.*

April 26, 2021  
Bemidji, Minnesota

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**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

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

*Financial Highlights*

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$4,975,917. Of this amount, \$1,697,403 may be used to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$1,752,770. Of this total amount, approximately 56%, or \$994,048 is available for spending at the City's discretion.
- At the end of the year, the total unassigned fund balance for the City's governmental funds was \$339,507. All of this was in the General Fund.
- Total outstanding long-term debt was \$1,574,210 at the end of the year. The majority of the debt has primary revenue sources to cover debt service payments from sources other than property taxes. Special assessment and revenue debt account for \$1,155,162 or 73% of the bonded debt.

*Overview of the Financial Section*

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

- **Government-wide Financial Statements** provide information about the activities of the City as a whole and present a longer-term view of City finances.
- **Fund Financial Statements** provide detailed information on significant City funds.
- **Notes to the Financial Statements** provide additional information essential to understanding the government-wide and fund statements.

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

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

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

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

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

*Proprietary Funds* - The City maintains one type of proprietary fund, enterprise funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor operations, public utility (water and sewer) services and municipal golf course.

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

Proprietary funds provide the same information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

*Custodial Funds* – The City is the trustee, or custodian, for assets that belong to others. The City is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The City's custodial activities are reported in a separate financial statement. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations. The custodial financial statements can be found on pages 22 and 23 of this report.

**Notes to Financial Statements** - The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 56 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. At the end of 2020, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,975,917.

The largest portion of the City's net position, 46%, reflects its Net Investment in Capital Assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Totals	
	2020	(As Restated) 2019	2020	(As Restated) 2019	2020	2019
<b>Assets:</b>						
Current and Other Assets	\$2,019,921	\$ 1,856,812	\$ 1,223,648	\$ 1,327,958	\$ 3,243,569	\$ 3,184,770
Capital Assets, Net of Depreciation	1,422,725	1,284,984	2,449,985	2,456,539	3,872,710	3,741,523
<b>Total Assets</b>	<b>3,442,646</b>	<b>3,141,796</b>	<b>3,673,633</b>	<b>3,784,497</b>	<b>7,116,279</b>	<b>6,926,293</b>
<b>Deferred Outflows of Resources</b>	<b>127,998</b>	<b>161,707</b>	<b>60,544</b>	<b>36,314</b>	<b>188,542</b>	<b>198,021</b>
<b>Liabilities:</b>						
Long-Term Liabilities Outstanding	488,934	394,515	1,515,162	1,482,669	2,004,096	1,877,184
Other Liabilities	38,660	65,604	117,028	90,976	155,688	156,580
<b>Total Liabilities</b>	<b>527,594</b>	<b>460,119</b>	<b>1,632,190</b>	<b>1,573,645</b>	<b>2,159,784</b>	<b>2,033,764</b>
<b>Deferred Inflows of Resources</b>	<b>144,073</b>	<b>184,413</b>	<b>25,047</b>	<b>69,067</b>	<b>169,120</b>	<b>253,480</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	1,132,863	1,102,931	1,179,335	1,051,536	2,312,198	2,154,467
Restricted	966,316	855,280	-	-	966,316	855,280
Unrestricted	799,798	700,760	897,605	1,126,563	1,697,403	1,827,323
<b>Total Net Position</b>	<b>\$2,898,977</b>	<b>\$ 2,658,971</b>	<b>\$ 2,076,940</b>	<b>\$ 2,178,099</b>	<b>\$ 4,975,917</b>	<b>\$ 4,837,070</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

A portion of the City's net position, approximately 19%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,697,403, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental Activities** – Net position of the City's governmental activities increased by \$240,006.

**Business-type Activities** – Net position of the City's business-type activities decreased by \$101,159.

	Governmental Activities		Business-Type Activities		Totals	
	2020	(As Restated) 2019	2020	(As Restated) 2019	2020	2019
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 120,111	\$ 110,617	\$ 1,814,958	\$ 1,691,776	\$ 1,935,069	\$ 1,802,393
Operating Grants and Contributions	134,307	95,624	-	5,824	134,307	101,448
Capital Grants and Contributions	-	-	6,994	81,548	6,994	81,548
<b>General Revenues:</b>						
Property Taxes and Special Assessments	316,977	270,126	25,967	24,325	342,944	294,451
Grants and aids Not Restricted for Specific Programs	383,872	258,328	-	-	383,872	258,328
Fines and Fees	428	592	-	-	428	592
Interest Income	18,792	16,341	14,505	19,197	33,297	35,538
Rental Income	-	-	7,817	9,879	7,817	9,879
Other	51,869	16,745	4,863	1,209	56,732	17,954
<b>Total Revenues</b>	<b>1,026,356</b>	<b>768,373</b>	<b>1,875,104</b>	<b>1,833,758</b>	<b>2,901,460</b>	<b>2,602,131</b>
<b>Expenses:</b>						
General Government	237,986	171,521	-	-	237,986	171,521
Public Safety	253,056	282,320	-	-	253,056	282,320
Streets and Highways	215,479	162,787	-	-	215,479	162,787
Economic Development	26,498	27,316	-	-	26,498	27,316
Culture and Recreation	72,392	72,927	-	-	72,392	72,927
Cemetery	6,149	5,698	-	-	6,149	5,698
Interest and Fiscal Fees	38,631	37,831	-	-	38,631	37,831
Municipal Water	-	-	266,188	220,534	266,188	220,534
Municipal Sewage Disposal	-	-	198,009	154,944	198,009	154,944
Municipal Golf Course	-	-	150,714	155,600	150,714	155,600
Municipal Liquor Store	-	-	1,290,182	1,132,231	1,290,182	1,132,231
<b>Total Expenses</b>	<b>850,191</b>	<b>760,400</b>	<b>1,905,093</b>	<b>1,663,309</b>	<b>2,755,284</b>	<b>2,423,709</b>
<b>Increase (Decrease) in Net Position Before Transfers and Special Items</b>	<b>176,165</b>	<b>7,973</b>	<b>(29,989)</b>	<b>170,449</b>	<b>146,176</b>	<b>178,422</b>
<b>Transfers</b>	<b>71,170</b>	<b>65,000</b>	<b>(71,170)</b>	<b>(65,000)</b>	<b>-</b>	<b>-</b>
Special Item - Gain on Sale of Asset	9,750	-	-	-	9,750	-
Special Item - Voluntary Return of Restricted Funds	(17,079)	-	-	-	(17,079)	-
<b>Change in Net Position</b>	<b>240,006</b>	<b>72,973</b>	<b>(101,159)</b>	<b>105,449</b>	<b>138,847</b>	<b>178,422</b>
<b>Net Position, Beginning of Year (as restated)</b>	<b>2,658,971</b>	<b>2,585,998</b>	<b>2,178,099</b>	<b>2,072,650</b>	<b>4,837,070</b>	<b>4,658,648</b>
<b>Net Position, End of Year</b>	<b>\$ 2,898,977</b>	<b>\$ 2,658,971</b>	<b>\$ 2,076,940</b>	<b>\$ 2,178,099</b>	<b>\$ 4,975,917</b>	<b>\$ 4,837,070</b>

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

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

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

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

*Financial Analysis of the Government's Funds*

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2020 fiscal year, the City's governmental funds reported combined fund balances of \$1,752,770. Approximately 19% of this total amount, or \$339,507, constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balances are made up of nonspendable of \$16,042, restricted use of \$742,680, and designated by the City of \$654,541. The restricted funds could be used for the following: \$145,985 for revolving loans; \$140,545 for debt repayment; \$292,544 for special equipment; \$104,993 for tax increment financing districts; and \$58,613 for the Pine Tree Park.

**Proprietary Funds** - The City's proprietary fund statements found on pages 18 through 21 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are municipal liquor \$204,968, municipal sewage \$325,561, municipal water \$511,547 and municipal golf course (\$144,471). While total net position before operating transfers for the current year ended decreased in the municipal water fund and the municipal golf course fund, the total net position increased for the municipal sewage disposal fund and the municipal liquor store fund.

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

*General Fund Budgetary Highlights*

The City did not amend the 2020 budget. The 2020 budget for the General Fund anticipated revenues and other financing sources in excess of expenditures and other financing uses of \$10,447. Actual results for the General Fund for 2020 show expenditures and other financing uses in excess of revenues and other financing sources of \$20,589.

*Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounts to \$3,872,710 (net of accumulated depreciation). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land and Buildings	\$ 751,114	\$ 751,114	\$ 2,915,617	\$ 2,854,228	\$ 3,666,731	\$ 3,605,342
Furniture, Fixtures, and Equipment	1,063,416	884,354	512,821	444,530	1,576,237	1,328,884
Other Improvements	1,218,438	1,218,438	3,004,561	2,998,061	4,222,999	4,216,499
Construction in Progress	39,314	-	6,788	-	46,102	-
Less Accumulated Depreciation	(1,649,557)	(1,568,922)	(3,989,802)	(3,840,280)	(5,639,359)	(5,409,202)
Total	<u>\$ 1,422,725</u>	<u>\$ 1,284,984</u>	<u>\$ 2,449,985</u>	<u>\$ 2,456,539</u>	<u>\$ 3,872,710</u>	<u>\$ 3,741,523</u>

Additional information on the City's capital assets can be found in Note 2 on page 35 of this report.

*Long Term Debt*

At the end of the current fiscal year, the City had \$1,574,210 in bonds, notes and capital leases outstanding. The full faith and credit of the City back this debt. However, some of this debt has primary repayment sources other than property taxes. These primary sources include tax increment financing, special assessments and charges for services.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$ 68,000	\$ 81,000	\$ 68,000	\$ 81,000
G.O. Special Assessment Bonds	120,000	170,000	54,000	64,000	174,000	234,000
General Obligation Revenue Bonds	-	-	820,000	875,000	820,000	875,000
Capital Leases Payable	84,918	15,800	57,714	-	142,632	15,800
Notes Payable	91,583	76,400	277,995	239,806	369,578	316,206
Total	<u>\$ 296,501</u>	<u>\$ 262,200</u>	<u>\$ 1,277,709</u>	<u>\$ 1,259,806</u>	<u>\$ 1,574,210</u>	<u>\$ 1,522,006</u>

A total of \$180,875 was retired throughout the year. A more detailed breakdown of these obligations can be found in Note 2 on pages 36 through 39.



**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

*Economic Factors and Next Year's Budget and Rates*

The City's elected officials and staff considered many factors when setting the fiscal year 2021 budget, rates, tax levy and fees, and as a result, the 2021 levy increased from 2020. Factors considered by the City included financial support for the municipal golf course, water and sewer base rates to support the increasing maintenance costs for the infrastructure; and the increased need to maintain and repair several city streets. The City continues to strive to be fiscally responsible and yet maintain existing services to our residents while setting goals for future improvements to the City's infrastructure.

*Requests for Information*

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

**CITY OF BLACKDUCK, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	<u>Governmental</u> Activities	<u>Business-Type</u> Activities	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,438,275	\$ 917,966	\$ 2,356,241
Petty Cash	300	-	300
Cash on Hand	-	2,000	2,000
Accounts Receivable	6,515	58,822	65,337
Special Assessments Receivable	64,317	201,481	265,798
Internal Balances	61,189	(61,189)	-
Due from Other Governments	6,977	1,112	8,089
Notes Receivable	198,716	-	198,716
Delinquent Property Taxes Receivable	20,019	964	20,983
Inventory	-	87,723	87,723
Prepaid Expenses	16,042	14,769	30,811
Capital Assets, Net of Depreciation	1,422,725	2,449,985	3,872,710
Net Pension Asset	207,571	-	207,571
<b><u>Total Assets</u></b>	<b><u>3,442,646</u></b>	<b><u>3,673,633</u></b>	<b><u>7,116,279</u></b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources Related to Pensions	127,998	60,544	188,542
<b><u>LIABILITIES</u></b>			
Accounts Payable	18,530	80,194	98,724
Sales Tax Payable	-	10,660	10,660
Accrued Interest Payable	1,833	10,616	12,449
Accrued Salaries and Wages Payable	16,582	15,558	32,140
Due to Other Governments	1,715	-	1,715
Noncurrent Liabilities			
Due Within One Year	69,694	112,848	182,542
Due in More Than One Year	179,270	1,117,410	1,296,680
Net Pension Liability	239,970	284,904	524,874
<b><u>Total Liabilities</u></b>	<b><u>527,594</u></b>	<b><u>1,632,190</u></b>	<b><u>2,159,784</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows of Resources Related to Pensions	144,073	25,047	169,120
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	1,132,863	1,179,335	2,312,198
Restricted for Economic Development	189,395	-	189,395
Restricted for Debt Service	155,071	-	155,071
Restricted for Capital Projects	292,544	-	292,544
Restricted for Pensions	269,655	-	269,655
Restricted for Other Purposes	59,651	-	59,651
Unrestricted	799,798	897,605	1,697,403
<b><u>Total Net Position</u></b>	<b><u>\$ 2,898,977</u></b>	<b><u>\$ 2,076,940</u></b>	<b><u>\$ 4,975,917</u></b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 237,986	\$ 23,755	\$ -	\$ -	\$ (214,231)	\$ -	\$ (214,231)
Public Safety	253,056	78,627	123,297	-	(51,132)	-	(51,132)
Streets and Highways	215,479	-	-	-	(215,479)	-	(215,479)
Economic Development	26,498	-	-	-	(26,498)	-	(26,498)
Culture and Recreation	72,392	13,978	11,010	-	(47,404)	-	(47,404)
Cemetery	6,149	3,751	-	-	(2,398)	-	(2,398)
Interest and Fiscal Fees	38,631	-	-	-	(38,631)	-	(38,631)
Total Governmental Activities	<u>850,191</u>	<u>120,111</u>	<u>134,307</u>	<u>-</u>	<u>(595,773)</u>	<u>-</u>	<u>(595,773)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Municipal Water	266,188	211,089	-	6,994	-	(48,105)	(48,105)
Municipal Sewage Disposal	198,009	204,854	-	-	-	6,845	6,845
Municipal Golf Course	150,714	112,046	-	-	-	(38,668)	(38,668)
Municipal Liquor Store	1,290,182	1,286,969	-	-	-	(3,213)	(3,213)
Total Business-Type Activities	<u>1,905,093</u>	<u>1,814,958</u>	<u>-</u>	<u>6,994</u>	<u>-</u>	<u>(83,141)</u>	<u>(83,141)</u>
Total Primary Government	<u>\$ 2,755,284</u>	<u>\$ 1,935,069</u>	<u>\$ 134,307</u>	<u>\$ 6,994</u>	<u>(595,773)</u>	<u>(83,141)</u>	<u>(678,914)</u>
<b>General Revenues:</b>							
Property Taxes and Special Assessments					316,977	25,967	342,944
Grants and Aids Not Restricted for Specific Programs					383,872	-	383,872
Fines and Fees					428	-	428
Interest Income					18,792	14,505	33,297
Rental Income					-	7,817	7,817
Other					51,869	4,863	56,732
Special Item - Gain on Sale of Assets					9,750	-	9,750
Special Item - Voluntary Return of Restricted Funds					(17,079)	-	(17,079)
Transfers In (Out)					71,170	(71,170)	-
Total General Revenues, Special Items, and Transfers					<u>835,779</u>	<u>(18,018)</u>	<u>817,761</u>
Change in Net Position					<u>240,006</u>	<u>(101,159)</u>	<u>138,847</u>
Net Position, Beginning of Year (as restated)					<u>2,658,971</u>	<u>2,178,099</u>	<u>4,837,070</u>
Net Position, End of Year					<u>\$ 2,898,977</u>	<u>\$ 2,076,940</u>	<u>\$ 4,975,917</u>

See Accompanying Notes to Financial Statements

**CITY OF BLACKDUCK, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Fire Dept Special Equipment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 363,758	\$ 126,874	\$ 292,544	\$ 655,099	\$ 1,438,275
Petty Cash	300	-	-	-	300
Accounts Receivable	6,452	-	-	63	6,515
Due from Other Governments	5,360	-	-	1,617	6,977
Notes Receivable	-	321,488	-	-	321,488
Delinquent Property Taxes Receivable	15,472	-	-	4,547	20,019
Special Assessments Receivable	-	-	-	64,317	64,317
Prepaid Expenses	14,790	-	-	1,252	16,042
<b><u>Total Assets</u></b>	<b><u>\$ 406,132</u></b>	<b><u>\$ 448,362</u></b>	<b><u>\$ 292,544</u></b>	<b><u>\$ 726,895</u></b>	<b><u>\$ 1,873,933</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 18,220	\$ -	\$ -	\$ 310	\$ 18,530
Accrued Salaries and Wages Payable	16,428	-	-	154	16,582
Due to Other Governments	1,715	-	-	-	1,715
<b><u>Total Liabilities</u></b>	<b><u>36,363</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>464</u></b>	<b><u>36,827</u></b>
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable Revenue	15,472	-	-	68,864	84,336
<b><u>Fund Balances</u></b>					
Nonspendable	14,790	-	-	1,252	16,042
Restricted	-	145,985	292,544	304,151	742,680
Committed	-	-	-	79,221	79,221
Assigned	-	302,377	-	272,943	575,320
Unassigned	339,507	-	-	-	339,507
<b><u>Total Fund Balances</u></b>	<b><u>354,297</u></b>	<b><u>448,362</u></b>	<b><u>292,544</u></b>	<b><u>657,567</u></b>	<b><u>1,752,770</u></b>
<b><u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>	<b><u>\$ 406,132</u></b>	<b><u>\$ 448,362</u></b>	<b><u>\$ 292,544</u></b>	<b><u>\$ 726,895</u></b>	<b><u>\$ 1,873,933</u></b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,752,770

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:

Cost	\$ 3,072,282	
Less Accumulated Depreciation	<u>(1,649,557)</u>	1,422,725

Unearned and unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements. 84,336

Inter-government receivable is reported in the governmental funds but are not in the governmental activities. (61,583)

Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (16,821)

Long-term liabilities are not payable with current financial resources and are therefore not reported in the governmental funds. The effect of premiums or discounts are recognized as an expenditure when debt is issued in the funds, whereas these amounts are deferred and amortized in the government-wide statements. (472,113)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (1,833)

Amounts pertaining to the Blackduck Fire Relief Association pension plan are not current financial resources and, therefore, are not reported in governmental funds:

Net Pension Asset	207,571	
Deferred Outflows of Resources	20,840	
Deferred Inflows of Resources	<u>(41,244)</u>	187,167

Deferred outflows and inflows of resources related to City pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred Outflows of Resources	107,158	
Deferred Inflows of Resources	<u>(102,829)</u>	<u>4,329</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,898,977

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	General Fund	Revolving Loan Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and Special Assessments	\$ 231,488	\$ -	\$ -	\$ 82,901	\$ 314,389
Licenses and Permits	14,435	-	-	-	14,435
Intergovernmental Revenues	443,364	-	-	11,010	454,374
Tax Increments	-	-	-	27,659	27,659
Charges for Services	87,947	-	-	17,729	105,676
Fines and Fees	428	-	-	-	428
Interest Income	2,360	11,086	2,531	2,823	18,800
Donations and Grants	-	-	62,575	-	62,575
Other	13,308	20	-	36,952	50,280
<b>Total Revenues</b>	<b>793,330</b>	<b>11,106</b>	<b>65,106</b>	<b>179,074</b>	<b>1,048,616</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	200,252	-	-	-	200,252
Public Safety	304,887	-	-	-	304,887
Streets and Highways	167,292	-	-	-	167,292
Economic Development	-	1,308	-	-	1,308
Culture and Recreation	44,631	-	-	57,813	102,444
Cemetery	-	-	-	6,390	6,390
Capital Outlay	203,449	-	-	47	203,496
<b>Debt Service:</b>					
Principal	9,663	-	-	64,817	74,480
Interest and Fiscal Charges	1,195	-	-	34,804	35,999
<b>Total Expenditures</b>	<b>931,369</b>	<b>1,308</b>	<b>-</b>	<b>163,871</b>	<b>1,096,548</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(138,039)</b>	<b>9,798</b>	<b>65,106</b>	<b>15,203</b>	<b>(47,932)</b>
<b>Other Financing Sources (Uses)</b>					
Note Proceeds	30,000	-	-	-	30,000
Insurance Proceeds	1,588	-	-	-	1,588
Capital Lease Proceeds	76,823	-	-	-	76,823
Proceeds from the Sale of Assets	9,750	-	-	-	9,750
Operating Transfers In	94,613	-	-	35,046	129,659
Operating Transfers Out	(53,876)	-	-	(4,613)	(58,489)
<b>Total Other Financing Sources (Uses)</b>	<b>158,898</b>	<b>-</b>	<b>-</b>	<b>30,433</b>	<b>189,331</b>
<b>Special Item</b>					
Voluntary Return of Restricted Funds	-	(17,079)	-	-	(17,079)
<b>Net Change in Fund Balance</b>	<b>20,859</b>	<b>(7,281)</b>	<b>65,106</b>	<b>45,636</b>	<b>124,320</b>
<b>Fund Balances, Beginning of Year (as restated)</b>	<b>333,438</b>	<b>455,643</b>	<b>227,438</b>	<b>611,931</b>	<b>1,628,450</b>
<b>Fund Balances, End of Year</b>	<b>\$ 354,297</b>	<b>\$ 448,362</b>	<b>\$ 292,544</b>	<b>\$ 657,567</b>	<b>\$ 1,752,770</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 124,320

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

Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ 245,455	
Depreciation	<u>(107,714)</u>	137,741

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (25,079)

Compensated absences are reported as an expenditure when paid. In the statement of activities, however, compensated absences are recognized as earned, regardless of when paid. (3,703)

Capital lease proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. (106,823)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities on the statement of net position. In the current period these amounts consisted of:

Special Assessment Bonds	50,000	
Other Debt	14,817	
Capital Lease	7,705	
Net Amortization of Bond Discount	<u>(972)</u>	71,550

Interest is recognized as an expenditure in the governmental funds when it is paid. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is paid. 298

Governmental funds report City and Fire Relief pension contributions as expenditures. In the statement of activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City and Fire Relief Pension Contributions	30,723	
Cost of Benefits Earned Net of Employee Contributions	<u>10,979</u>	<u>41,702</u>

CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES \$ 240,006

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

With Comparative Amounts For December 31, 2019

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Golf Course Fund	Municipal Liquor Store Fund	(As Restated)	
					2020	2019
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 426,564	\$ 286,376	\$ -	\$ 205,026	\$ 917,966	\$ 926,807
Cash on Hand	-	-	-	2,000	2,000	2,000
Accounts Receivable	24,372	23,503	1,064	9,883	58,822	50,939
Property Taxes Receivable	-	700	264	-	964	964
Special Assessments Receivable	126,416	75,065	-	-	201,481	225,270
Due from Other Governments	223	485	404	-	1,112	1,112
Inventory	-	-	-	87,723	87,723	106,097
Prepaid Expenses	1,464	2,843	2,622	7,840	14,769	14,769
<b>Total Current Assets</b>	<b>579,039</b>	<b>388,972</b>	<b>4,354</b>	<b>312,472</b>	<b>1,284,837</b>	<b>1,327,958</b>
<b>Capital Assets</b>						
Land and Buildings	-	2,289,673	270,101	355,843	2,915,617	2,854,228
Furniture, Fixtures and Equipment	7,740	18,027	363,705	123,349	512,821	438,030
Other Improvements	2,206,386	743,541	-	54,634	3,004,561	3,004,561
Construction in Progress	1,014	1,014	-	4,760	6,788	-
	2,215,140	3,052,255	633,806	538,586	6,439,787	6,296,819
Less: Accumulated Depreciation	(910,828)	(2,315,461)	(422,077)	(341,436)	(3,989,802)	(3,840,280)
<b>Capital Assets, Net of Depreciation</b>	<b>1,304,312</b>	<b>736,794</b>	<b>211,729</b>	<b>197,150</b>	<b>2,449,985</b>	<b>2,456,539</b>
<b>Noncurrent Assets</b>						
Due from Other Funds	-	-	-	115,969	115,969	110,878
<b>Total Assets</b>	<b>1,883,351</b>	<b>1,125,766</b>	<b>216,083</b>	<b>625,591</b>	<b>3,850,791</b>	<b>3,895,375</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows Related to Pensions	10,932	11,772	7,568	30,272	60,544	36,314
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Current Portion of Capital Leases Payable	-	-	-	11,848	11,848	-
Current Portion of Bonds Payable	52,000	26,000	28,952	-	106,952	101,000
Accounts Payable	6,725	5,161	472	67,836	80,194	60,066
Sales Tax Payable	296	-	-	10,364	10,660	11,131
Accrued Interest Payable	7,727	1,681	1,208	-	10,616	10,616
Accrued Salaries and Wages Payable	3,652	3,845	-	8,061	15,558	9,163
<b>Total Current Liabilities</b>	<b>70,400</b>	<b>36,687</b>	<b>30,632</b>	<b>98,109</b>	<b>235,828</b>	<b>191,976</b>
<b>Long-Term Liabilities</b>						
Capital Leases Payable	-	-	-	57,714	57,714	-
Less: Current Portion	-	-	-	(11,848)	(11,848)	-
Due to Other Funds	-	-	115,969	-	115,969	110,878
Bonds Payable, Net of Unamortized Bond Discount	934,322	109,644	168,970	-	1,212,936	1,252,205
Less: Current Portion	(52,000)	(26,000)	(28,952)	-	(106,952)	(101,000)
Compensated Absences	4,061	4,228	-	12,508	20,797	13,736
Net Pension Liability	51,441	55,398	35,613	142,452	284,904	216,728
<b>Total Long-Term Liabilities</b>	<b>937,824</b>	<b>143,270</b>	<b>291,600</b>	<b>200,826</b>	<b>1,573,520</b>	<b>1,492,547</b>
<b>Total Liabilities</b>	<b>1,008,224</b>	<b>179,957</b>	<b>322,232</b>	<b>298,935</b>	<b>1,809,348</b>	<b>1,684,523</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows Related to Pensions	4,522	4,870	3,131	12,524	25,047	69,067
<b>NET POSITION</b>						
Net Investment in Capital Assets	369,990	627,150	42,759	139,436	1,179,335	1,204,334
Unrestricted	511,547	325,561	(144,471)	204,968	897,605	973,765
<b>Total Net Position</b>	<b>\$ 881,537</b>	<b>\$ 952,711</b>	<b>\$ (101,712)</b>	<b>\$ 344,404</b>	<b>\$ 2,076,940</b>	<b>\$ 2,178,099</b>

See Accompanying Notes to Financial Statements.



**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Totals</b>	
	<b>Municipal</b>	<b>Municipal</b>	<b>Municipal</b>	<b>Municipal</b>	<b>(As Restated)</b>	
	<b>Water</b>	<b>Sewage</b>	<b>Golf</b>	<b>Liquor</b>	<b>2020</b>	<b>2019</b>
<b>Fund</b>	<b>Disposal</b>	<b>Course</b>	<b>Store</b>			
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>			
<b>Sales and Cost of Sales</b>						
Sales	\$ -	\$ -	\$ 11,010	\$ 1,289,600	\$ 1,300,610	\$ 1,255,643
Cost of Sales	-	-	(6,697)	(816,140)	(822,837)	(748,168)
Gross Profit	-	-	4,313	473,460	477,773	507,475
<b>Operating Revenues</b>	<b>210,570</b>	<b>204,831</b>	<b>95,711</b>	<b>-</b>	<b>511,112</b>	<b>435,181</b>
<b>Total Gross Profit and Operating Revenues</b>	<b>210,570</b>	<b>204,831</b>	<b>100,024</b>	<b>473,460</b>	<b>988,885</b>	<b>942,656</b>
<b>Operating Expenses</b>						
Personnel Services	93,892	93,691	74,165	241,436	503,184	463,718
Utilities	12,470	19,745	5,293	38,952	76,460	79,304
Supplies and Materials	4,933	3,491	9,530	33,793	51,747	40,074
Advertising and Printing	-	-	-	6,324	6,324	13,742
Repairs and Maintenance	8,740	7,784	11,278	39,219	67,021	45,332
Contracted Services	31,836	30,945	69	15,869	78,719	19,448
Insurance	4,195	7,549	6,241	19,968	37,953	35,755
Depreciation and Amortization	83,099	27,030	21,611	20,872	152,612	121,333
Other Expenses	8,524	5,086	13,154	57,609	84,373	67,845
Total Operating Expenses	247,689	195,321	141,341	474,042	1,058,393	886,551
<b>Operating Income (Loss)</b>	<b>(37,119)</b>	<b>9,510</b>	<b>(41,317)</b>	<b>(582)</b>	<b>(69,508)</b>	<b>56,105</b>
<b>Non-Operating Revenues (Expenses)</b>						
Interest Income	6,932	4,196	-	3,400	14,528	19,204
Rental Income	-	-	-	7,817	7,817	9,879
Fiscal Agent Fees	-	-	-	-	-	(16)
Intergovernmental Grants and Aids	6,994	-	2,000	-	8,994	87,372
Miscellaneous	2,136	1,487	3,242	-	6,865	1,912
Property Taxes	-	8,862	17,188	-	26,050	24,360
Interest Expense	(19,371)	(2,688)	(2,676)	-	(24,735)	(28,367)
Total Non-Operating Revenues (Expenses)	(3,309)	11,857	19,754	11,217	39,519	114,344
<b>Net Income (Loss) Before Operating Transfers</b>	<b>(40,428)</b>	<b>21,367</b>	<b>(21,563)</b>	<b>10,635</b>	<b>(29,989)</b>	<b>170,449</b>
<b>Operating Transfers</b>						
Transfer to Other Funds	-	(15,000)	-	(87,500)	(102,500)	(75,000)
Transfer from Other Funds	3,553	3,443	13,615	10,719	31,330	10,000
Total Operating Transfers	3,553	(11,557)	13,615	(76,781)	(71,170)	(65,000)
<b>Change in Net Position</b>	<b>(36,875)</b>	<b>9,810</b>	<b>(7,948)</b>	<b>(66,146)</b>	<b>(101,159)</b>	<b>105,449</b>
<b>Net Position, Beginning of Year (as restated)</b>	<b>918,412</b>	<b>942,901</b>	<b>(93,764)</b>	<b>410,550</b>	<b>2,178,099</b>	<b>2,072,650</b>
<b>Net Position, End of Year</b>	<b>\$ 881,537</b>	<b>\$ 952,711</b>	<b>\$ (101,712)</b>	<b>\$ 344,404</b>	<b>\$ 2,076,940</b>	<b>\$ 2,178,099</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>(As Restated)</u>	
	<u>Water</u>	<u>Sewage</u>	<u>Golf</u>	<u>Liquor</u>	<u>2020</u>	<u>2019</u>
<u>Fund</u>	<u>Disposal</u>	<u>Course</u>	<u>Store</u>			
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
<b><u>Cash Flows from Operating Activities</u></b>						
Cash Received from Customers	\$ 209,366	\$ 203,602	\$ 105,916	\$ 1,284,955	\$ 1,803,839	\$ 1,675,300
Cash Paid to Employees	(91,974)	(92,614)	(67,938)	(237,276)	(489,802)	(445,043)
Cash Paid to Suppliers	(67,217)	(70,959)	(53,238)	(995,989)	(1,187,403)	(1,072,493)
<u>Net Cash Provided by (Used in)</u>						
<u>Operating Activities</u>	<u>50,175</u>	<u>40,029</u>	<u>(15,260)</u>	<u>51,690</u>	<u>126,634</u>	<u>157,764</u>
<b><u>Cash Flows from Non-Capital</u></b>						
<b><u>Financing Activities</u></b>						
Miscellaneous Revenue	2,136	1,487	3,242	-	6,865	1,912
Interfund Financing	-	-	5,091	(5,091)	-	-
Transfers To Other Funds	-	(15,000)	-	(76,781)	(91,781)	(75,000)
Transfers From Other Funds	3,553	3,443	13,615	-	20,611	10,000
<u>Net Cash Provided by (Used in) Non-Capital</u>						
<u>Financing Activities</u>	<u>5,689</u>	<u>(10,070)</u>	<u>21,948</u>	<u>(81,872)</u>	<u>(64,305)</u>	<u>(63,088)</u>
<b><u>Cash Flows from Capital and</u></b>						
<b><u>Related Financing Activities</u></b>						
Purchase of Property and Equipment	(8,754)	(7,097)	(61,389)	(68,276)	(145,516)	(121,247)
Principal Paid on Capital Leases Payable	-	-	-	(7,153)	(7,153)	-
Principal Paid on Bonds Payable	(52,000)	(26,000)	(23,200)	-	(101,200)	(183,356)
Debt Proceeds	-	-	61,389	-	61,389	30,472
Grant Proceeds	6,994	-	2,000	-	8,994	87,372
Lease Proceeds	-	-	-	64,867	64,867	-
Property Taxes Proceeds	-	8,862	17,188	-	26,050	24,305
Special Assessment Proceeds	14,126	9,663	-	-	23,789	32,977
Interest and Fees Paid on Bonds	(19,371)	(2,688)	(2,676)	-	(24,735)	(30,130)
<u>Net Cash Provided by (Used in) Capital</u>						
<u>and Related Financing Activities</u>	<u>(59,005)</u>	<u>(17,260)</u>	<u>(6,688)</u>	<u>(10,562)</u>	<u>(93,515)</u>	<u>(159,607)</u>
<b><u>Cash Flows from Investing Activities</u></b>						
Interest Income	6,932	4,196	-	3,400	14,528	19,204
Rental Income	-	-	-	7,817	7,817	9,879
<u>Net Cash Provided by (Used in)</u>						
<u>Investing Activities</u>	<u>6,932</u>	<u>4,196</u>	<u>-</u>	<u>11,217</u>	<u>22,345</u>	<u>29,083</u>
<b><u>Net Increase (Decrease) in</u></b>						
<u>Cash and Cash Equivalents</u>	<u>3,791</u>	<u>16,895</u>	<u>-</u>	<u>(29,527)</u>	<u>(8,841)</u>	<u>(35,848)</u>
<b><u>Cash and Cash Equivalents,</u></b>						
<u>Beginning of Year, (as restated)</u>	<u>422,773</u>	<u>269,481</u>	<u>-</u>	<u>236,553</u>	<u>928,807</u>	<u>964,655</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 426,564</u>	<u>\$ 286,376</u>	<u>\$ -</u>	<u>\$ 207,026</u>	<u>\$ 919,966</u>	<u>\$ 928,807</u>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO**  
**NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal	Municipal	Municipal	Municipal	(As restated)	
	Water Fund	Sewage Disposal Fund	Golf Course Fund	Liquor Store Fund	2020	2019
<b><u>Operating Income (Loss)</u></b>	\$ (37,119)	\$ 9,510	\$ (41,317)	\$ (582)	\$ (69,508)	\$ 56,105
<b><u>Adjustments to Reconcile Operating</u></b>						
<b><u>Income (Loss) to Net Cash Provided by</u></b>						
<b><u>(Used in) Operating Activities</u></b>						
Depreciation and Amortization	83,099	27,030	21,611	20,872	152,612	121,333
Changes in Assets, Liabilities and Deferrals						
(Increase) Decrease in:						
Accounts Receivable	(1,204)	(1,229)	(805)	(4,645)	(7,883)	(14,264)
Property Taxes Receivable	-	-	-	-	-	(264)
Due from Other Governments	-	-	-	-	-	(996)
Inventory	-	-	-	18,374	18,374	(4,789)
Prepaid Expenses	-	-	-	-	-	541
Deferred Outflows of Resources	(4,188)	(4,509)	(3,937)	(11,596)	(24,230)	29,379
Increase (Decrease) in:						
Accounts Payable	3,468	3,641	(976)	13,995	20,128	(18,671)
Sales Tax Payable	13	-	-	(484)	(471)	94
Accrued Salaries and Wages Payable	2,297	1,507	-	2,591	6,395	2,927
Accrued Compensated Absences	922	970	-	5,169	7,061	2,190
Deferred Inflows of Resources	(8,305)	(8,943)	(3,776)	(22,996)	(44,020)	5,110
Net Pension Liability	11,192	12,052	13,940	30,992	68,176	(20,931)
<b><u>Net Cash Provided by (Used in)</u></b>						
<b><u>Operating Activities</u></b>	<b><u>\$ 50,175</u></b>	<b><u>\$ 40,029</u></b>	<b><u>\$ (15,260)</u></b>	<b><u>\$ 51,690</u></b>	<b><u>\$ 126,634</u></b>	<b><u>\$ 157,764</u></b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**CUSTODIAL FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

Cash and Cash Equivalents

**\$ 5,093**

**NET POSITION**

Restricted for Other Organizations

**\$ 5,093**

**See Accompanying Notes to Financial Statements.**

**CITY OF BLACKDUCK, MINNESOTA**  
**CUSTODIAL FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED DECEMBER 31, 2020**

<b><u>Net Position, Beginning of Year</u></b>	<b><u>\$ 5,093</u></b>
<b><u>Net Position, End of Year</u></b>	<b><u>\$ 5,093</u></b>

**See Accompanying Notes to Financial Statements.**

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**A. Introduction**

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

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

**B. Financial Reporting Entity – Basis of Presentation**

**1.) Component Units**

For financial reporting purposes, the City's financial statements include all funds over which the City exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of government body members, the ability to significantly influence operations and accountability for fiscal matters. No component units were identified and combined with the City's financial report.

**2.) Related Organization**

**a.) Blackduck Fire Relief Association**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**3.) Joint Ventures**

**a.) Pine Tree Park**

The Pine Tree Park Joint Powers Board was formed on November 18, 1997, under the authority of the Joint Powers Act, pursuant to *Minnesota Statutes 471.59*, and includes Beltrami County and the City of Blackduck. The purpose of the Pine Tree Park Joint Powers Board is to cooperatively plan and manage Pine Tree Park.

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

Pine Tree Park has no long-term debt. Beltrami County contributes \$10,000 annually. Financing is also provided by appropriations from the members and other lawful sources. The City of Blackduck, in an agent capacity, reports the cash transactions of the Pine Tree Park, on its financial statements. In the event of dissolution, the City of Blackduck shall retain ownership of the assets of Pine Tree Park.

**4.) Government-wide and Fund Financial Statements**

**a.) Government-wide Financial Statements**

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

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**b.) Fund Financial Statements**

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

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

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

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

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

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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



**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**C. Fund Types and Major Funds**

**1.) Governmental Funds**

The City reports the following major funds:

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

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

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

**2.) Proprietary Funds**

The City reports the following major funds:

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

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

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

**Municipal Golf Course Enterprise Fund** – The Municipal Golf Course Enterprise Fund accounts for the activities related to golf course operations.

**3.) Fiduciary Fund:**

The City reports the following fiduciary fund:

**Housing and Redevelopment Authority Custodial Fund** – The Housing and Redevelopment Authority Custodial Fund holds cash for Blackduck Housing and Redevelopment Authority.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**1.) Cash, Cash Equivalents and Investments**

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

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

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

**2.) Inventories and Prepaid Expenses**

Proprietary fund inventories are valued at lower of cost or market using the first-in, first-out method (FIFO). Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid expenses are similarly reported in government-wide and fund financial statements.

**3.) Capital Assets and Depreciation**

The City's capital assets with useful lives of more than one year are stated at historical costs or estimated historical cost and comprehensively reported in the government-wide financial statements. Infrastructure with useful lives of more than one year are stated at historical cost or estimated historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund financial statements. Donated assets are stated at acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using straight-line depreciation. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

The City has established the following capitalization thresholds:

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

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

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

**4.) Capitalization of Interest**

The City capitalizes net interest costs on funds borrowed to finance the construction of proprietary fund capital assets. For the year ended December 31, 2020, no interest was capitalized in connection with construction in progress of Proprietary Fund capital assets.

**5.) Long-term Obligations**

In the government-wide financial statements and proprietary fund types, in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**6.) Pensions**

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

**7.) Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expenditure/expense) until then. The City has only one item that qualifies for reporting in this category. It is the deferred resources related to pensions reported in the government-wide Statement of Net Position.

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

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

	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 15,472	\$ 4,547	\$ 20,019
Special Assessments	-	64,317	64,317
<b>Total</b>	<b>\$ 15,472</b>	<b>\$ 68,864</b>	<b>\$ 84,336</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional information can be found in Note 4.

**8.) Fund Balance**

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

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

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

The City adopted a formal fund balance policy that strives to maintain an unassigned fund balance equal to or greater than 35% of the General Fund operating revenues. Should the unassigned fund balance fall below the 35% threshold, the City will strive toward regaining the minimum threshold during the next budget process. At the end of 2020 the City's fund balance was 43%, which is in compliance with their fund balance policy.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

As of December 31, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Fire Dept Special Equipment</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepaid Expenses	\$ 14,790	\$ -	\$ -	\$ 1,252	\$ 16,042
<b>Restricted:</b>					
Pine Tree Park	-	-	-	58,613	58,613
Tax Increment Financing District	-	-	-	104,993	104,993
Notes Receivable	-	145,985	-	-	145,985
Debt Service	-	-	-	140,545	140,545
Equipment	-	-	292,544	-	292,544
<b>Committed:</b>					
Cemetery Perpetual Care Fund	-	-	-	62,392	62,392
Debt Service	-	-	-	16,829	16,829
<b>Assigned:</b>					
Cemetery Fund	-	-	-	2,522	2,522
Fire Hall Maintenance	-	-	-	257,588	257,588
Public Works Reserve	-	-	-	12,833	12,833
Notes Receivable	-	302,377	-	-	302,377
<b>Unassigned:</b>	339,507	-	-	-	339,507
<b>Total</b>	<u>\$ 354,297</u>	<u>\$ 448,362</u>	<u>\$ 292,544</u>	<u>\$ 657,567</u>	<u>\$ 1,752,770</u>

**9.) Use of Estimates**

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

**10.) Accounting Changes and Reclassifications**

During the year ended December 31, 2020, the City reclassified certain funds previously reported as Nonmajor Governmental Activities into Enterprise Funds reported under Business Activities to comply with generally accepted accounting principles. Also, certain accounts presented as prior year data have been restated for comparative purposes to conform with the presentation in the current year financial statements. The effect of the restatement on net position is described in Note 9 to the financial statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 2 – Assets and Liabilities**

**A. Deposits**

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

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be covered. The City’s policy for custodial credit risk is to maintain compliance with *Minnesota Statutes* that require all the City’s deposits to be protected by insurance, surety bond, or pledged collateral, and therefore, there is no custodial credit risk for deposits at December 31, 2020.

**B. Investments**

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

- 1.) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by *Minnesota Statutes*;
- 2.) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- 3.) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- 4.) bankers’ acceptances of United States banks;
- 5.) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- 6.) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

The City has not adopted a formal investment policy. The City has no invested funds at December 31, 2020. All funds are held in business checking accounts and money market accounts at local banks.

**C. Accounts Receivable**

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

**D. Special Assessment Receivables**

Special assessment receivables include the following components:

**Current** – includes amounts billed to property owners in the next fiscal year.

**Delinquent** – includes amounts billed to property owners but not paid as of December 31, 2020.

**Deferred** – includes assessment installments which will be billed to property owners in future years.

Special assessment revenue – principal revenues are recognized as installments become measurable and available. Interest revenues are recognized when due, net of delinquencies.

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

**E. Notes Receivable**

Notes receivable in the Revolving Loan fund used for business economic development at December 31, 2020 are as follows:

<u>Note Dated</u>	<u>Authorized/ Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
<b>Special Revenue Fund:</b>				
7/16/2007	\$ 150,000	9/1/2022	2.00%	\$ 38,756
3/31/2009	25,000	1/1/2021	3.25%	20
12/7/2011	171,492	2/1/2022	0.00%	14,902
12/31/2015	54,837	1/1/2029	0.00%	46,534
5/18/2016	40,000	6/1/2023	0.00%	20,724
8/1/2019	15,000	8/1/2029	5.50%	13,414
9/1/2019	32,000	11/1/2029	5.50%	29,628
8/1/2019	100,000	8/1/2029	5.50%	96,321
8/10/2020	11,389	8/10/2030	3.25%	11,189
8/10/2020	50,000	8/10/2030	0.00%	50,000
<b>Total</b>	<b>\$ 683,818</b>			<b>\$ 321,488</b>



**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**F. Capital Assets**

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
<b><u>Governmental Activities</u></b>				
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 411,434	\$ -	\$ -	\$ 411,434
Construction in Progress	-	39,314	-	39,314
Total Non-Depreciable Capital Assets	411,434	39,314	-	450,748
<b>Depreciable Capital Assets</b>				
Buildings	339,680	-	-	339,680
Furniture, Fixtures and Equipment	884,354	206,141	27,079	1,063,416
Other Improvements	1,218,438	-	-	1,218,438
Total Depreciable Capital Assets	2,442,472	206,141	27,079	2,621,534
Less Accumulated Depreciation	1,568,922	107,714	27,079	1,649,557
Depreciable Capital Assets, Net	873,550	98,427	-	971,977
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 1,284,984</b>	<b>\$ 137,741</b>	<b>\$ -</b>	<b>\$ 1,422,725</b>
<b><u>Business-Type Activities</u></b>				
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 163,987	\$ -	\$ -	\$ 163,987
Construction in Progress	-	6,788	-	6,788
Total Non-Depreciable Capital Assets	163,987	6,788	-	170,775
<b>Depreciable Capital Assets</b>				
Buildings	2,690,241	61,389	-	2,751,630
Furniture, Fixtures and Equipment	438,030	78,207	3,416	512,821
Other Improvements	3,004,561	-	-	3,004,561
Total Depreciable Capital Assets	6,132,832	139,596	3,416	6,269,012
Less Accumulated Depreciation	3,840,280	152,070	2,548	3,989,802
Depreciable Capital Assets, Net	2,292,552	(12,474)	868	2,279,210
<b>Total Business-Type Activities Capital Assets, Net</b>	<b>\$ 2,456,539</b>	<b>\$ (5,686)</b>	<b>\$ 868</b>	<b>\$ 2,449,985</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**G. Long-Term Liabilities**

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2020:

	Balance 1/1/20	Issues	Payments	Balance 12/31/20
<b>General Long-Term Debt:</b>				
<b>General Obligation Special Assessment Bonds:</b>				
G.O. Refunding Bonds, Series 2009A	\$ 60,000	\$ -	\$ 15,000	\$ 45,000
G.O. Bonds, Series 2006A	110,000	-	35,000	75,000
<b>Note Payable:</b>				
Industrial Lane Internal Note*	24,915	-	9,967	14,948
Frontage Road Improvements Note*	51,485	-	4,850	46,635
USDA Loan	-	30,000	-	30,000
<b>Total General Long-Term Debt</b>	<b>246,400</b>	<b>30,000</b>	<b>64,817</b>	<b>211,583</b>
Less: Unamortized Bond Discount	3,747	-	972	2,775
<b>Total Net General Long-Term Debt</b>	<b>242,653</b>	<b>30,000</b>	<b>63,845</b>	<b>208,808</b>
<b>Capital Lease Payable (See Note 2, Section "H."):</b>				
Ziegler CAT	-	76,823	-	76,823
GM Financial	15,800	-	7,705	8,095
<b>Total Net General Long-Term Debt</b>	<b>15,800</b>	<b>76,823</b>	<b>7,705</b>	<b>84,918</b>
<b>Other Long-Term Liabilities:</b>				
Compensated Absences	13,118	4,240	537	16,821
<b>Total Governmental Activities</b>	<b>\$ 271,571</b>	<b>\$ 187,886</b>	<b>\$ 79,792</b>	<b>\$ 310,547</b>
<b>Proprietary Fund Debt:</b>				
<b>General Obligation Revenue Bonds:</b>				
2012A Equipment Bond	\$ 15,000	\$ -	\$ 3,000	\$ 12,000
2012A Club House Refunded Bond	35,000	-	7,000	28,000
G.O. Refunding Bonds, Series 2012A	825,000	-	45,000	780,000
<b>General Obligation Bond:</b>				
2016 G.O. Equipment Certificate	81,000	-	13,000	68,000
<b>General Obligation Special Assessment Bonds:</b>				
G.O. Disposal System Bonds, Series 2014A	64,000	-	10,000	54,000
<b>Note Payable:</b>				
2017 G.O. Disposal System Note	71,643	-	16,000	55,643
2016 G.O. Water Revenue Note	168,163	-	7,000	161,163
Golf Course Shed - Storefront Rehab*	-	50,000	-	50,000
Golf Course Shed - Commercial Development*	-	11,389	200	11,189
<b>Total Proprietary Fund Debt</b>	<b>1,259,806</b>	<b>61,389</b>	<b>101,200</b>	<b>1,219,995</b>
Less: Unamortized Bond Discount	7,602	-	543	7,059
<b>Total Net Proprietary Long-Term Debt</b>	<b>1,252,204</b>	<b>61,389</b>	<b>100,657</b>	<b>1,212,936</b>
<b>Capital Lease Payable (See Note 2, Section "H."):</b>				
TCF Bank	-	64,867	7,153	57,714
<b>Other Long-Term Liabilities:</b>				
Compensated Absences	13,736	7,447	386	20,797
<b>Total Proprietary Activities</b>	<b>\$ 1,265,940</b>	<b>\$ 133,703</b>	<b>\$ 108,196</b>	<b>\$ 1,291,447</b>

\*These notes payable are eliminated in the government-wide statement of net position because they are inter-government activity.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

City indebtedness at December 31, 2020 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Authorized and Issued	Balance 12/31/2020	Amounts Due in 2021	
						Principal	Interest
<b>General Obligation Issues:</b>							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	\$ 93,000	\$ 68,000	\$ 13,000	\$ 1,538
<b>Special Assessment Bonds with Governmental Commitment:</b>							
G.O. Bonds, Series 2006A	4.100-4.650	8/17/2006	2/1/2022	\$ 495,000	\$ 75,000	\$ 35,000	\$ 2,674
G.O. Refunding Bonds, Series 2009A	3.000-4.250	12/28/2009	1/1/2024	445,000	45,000	15,000	1,856
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	105,000	54,000	10,000	1,470
Less: Unamortized Discount				-	2,775	-	-
Total Net Special Assessment Bonds				\$ 1,045,000	\$ 171,225	\$ 60,000	\$ 6,000
<b>General Obligation Revenue Bonds:</b>							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 780,000	\$ 45,000	\$ 17,108
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	12,000	3,000	198
2012A Club House Refunded	.750-2.550	12/27/2012	2/1/2035	65,000	28,000	7,000	462
Less: Unamortized Discount				-	7,059	-	-
Total G. O. Revenue Bonds				\$ 1,165,000	\$ 812,941	\$ 55,000	\$ 17,768
<b>Notes Payable:</b>							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 55,643	\$ 16,000	\$ 1,406
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2041	148,293	161,163	7,000	1,616
Industrial Lane Internal Note	0.000	12/7/2011	2/1/2022	171,492	14,948	9,967	-
Frontage Road Improvements Note	0.000	12/31/2015	1/1/2029	54,837	46,635	4,997	1,391
USDA Loan	2.375	4/6/2020	4/6/2030	30,000	30,000	2,645	760
Golf Course Shed - Storefront Rehab	0.000	8/10/2020	8/10/2030	50,000	50,000	5,000	-
Golf Course Shed - Commercial Development	3.250	8/10/2020	8/10/2030	11,389	11,189	952	356
Total Notes Payable				\$ 646,011	\$ 369,578	\$ 46,561	\$ 5,529
<b>Capital Lease Payable:</b>							
GM Financial	10.000	3/23/2017	3/23/2021	\$ 38,620	\$ 8,095	\$ 8,095	\$ 405
Ziegler CAT	4.800	2/15/2021	2/15/2025	76,823	76,823	8,954	1,869
TCF Bank	4.490	1/1/2020	1/1/2025	64,867	57,714	11,848	2,460
Total Capital Lease Payable				\$ 180,310	\$ 142,632	\$ 28,897	\$ 4,734

Special assessment bonds and related interest costs are payable from property taxes and assessments and interest collected from the property owners benefited by the respective improvements. All special assessment bonds are backed by the full faith and credit of the City.

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

The annual requirements to amortize long-term debt outstanding at December 31, 2020, including interest are as follows:

Year Ending December 31,	G.O. Bonds		Special Assessment Bonds		G.O. Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 13,000	\$ 1,538	\$ 60,000	\$ 6,000	\$ 55,000	\$ 17,768	\$ 46,561	\$ 5,529
2022	13,000	1,213	65,000	3,356	55,000	16,778	42,863	4,685
2023	14,000	875	26,000	1,493	55,000	15,788	38,133	3,860
2024	14,000	525	11,000	525	55,000	14,715	27,039	3,199
2025	14,000	175	12,000	180	50,000	13,613	22,663	2,773
2026-2030	-	-	-	-	260,000	51,446	107,156	8,499
2031-2035	-	-	-	-	290,000	18,705	40,000	3,469
2036-2040	-	-	-	-	-	-	42,000	1,453
2041	-	-	-	-	-	-	3,163	32
Totals	\$ 68,000	\$ 4,326	\$ 174,000	\$ 11,554	\$ 820,000	\$ 148,813	\$ 369,578	\$ 33,499

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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The City posts the January 1 principal and interest payment for the General Obligation Refunding Bonds, Series 2009A to December of the preceding year. The amortization schedule has been adjusted to reflect the January 1 payment to the preceding December. The adjusted schedule reflects loan payoffs in December 2024.

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

The future scheduled tax levies and pledged revenues are not shown as assets in the accompanying financial statements at December 31, 2020. Future tax levies for all bonds outstanding at December 31, 2020 totaled \$114,784. The amount bonds and capital lease outstanding with interest are to be paid with pledged revenues totaling \$902,389. The remaining amounts are to be paid with special assessments.

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City's legal debt margin for 2020 is computed as follows:

Market Value	\$30,271,800
Debt Limit Percentage	<u>3%</u>
Debt Limit	<u>\$ 908,154</u>

**Amount of debt applicable to debt limit:**

Total Bonded Debt	\$1,339,996
Less: Exempt Bonded Debt:	<u>1,155,162</u>
 Total Debt Applicable to Debt Limit	 <u>184,834</u>
 Legal Debt Margin	 <u>\$ 723,320</u>

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**H. Capital Lease**

A summary of changes in the capital leases are as follows:

Description	Beginning Balance	Additions	Payments and Retirements	Ending Balance	Current Amounts	
					Principal	Interest
TCF Bank	\$ -	\$ 64,867	\$ 7,153	\$ 57,714	\$ 11,848	\$ 2,460
Ziegler CAT	-	76,823	-	76,823	8,954	1,869
GM Financial	15,800	-	7,705	8,095	8,095	405
<b>Totals</b>	<b>\$ 15,800</b>	<b>\$ 141,690</b>	<b>\$ 14,858</b>	<b>\$ 142,632</b>	<b>\$ 28,897</b>	<b>\$ 4,734</b>

The City's capital lease assets total \$180,927 with accumulated depreciation of \$41,624.

The payments on the capital lease are accounted for in the General Fund and Municipal Liquor Fund. The annual requirements to amortize the capital leases at December 31, 2020 are as follows:

Year Ending:	Principal	Interest	Total
2021	\$ 28,897	\$ 4,734	\$ 33,631
2022	19,951	5,180	25,131
2023	20,876	4,255	25,131
2024	21,845	3,286	25,131
2025	51,063	2,449	53,512
<b>Total</b>	<b>\$ 142,632</b>	<b>\$ 19,904</b>	<b>\$ 162,536</b>

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities of the governmental fund that will pay them. Amounts that are not expected to be liquidated with expendable available financial resources are reported as long-term debt.

In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay. The City offers its non-union employees the option of taking 15% for 10-24 years of service or 40% for 25 years or more of service of vested sick leave as a lump sum severance payment upon retirement. For union employees the City offers the option of taking 20% for 10-19 years of service or 40% for 20 years or more of service of vested sick leave as a lump sum severance payment upon retirement.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 3 – Revenues and Expenses**

**A. Local Government Aid Revenue Recognition**

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

**B. Market Value Credit**

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

**C. Property Tax Revenue Recognition**

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. Such taxes become a lien on January 1 and are recorded as a receivable by the City at that date. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district and other taxing authorities. These taxes are payable by May 15 and October 15 of each calendar year by the property owners. These taxes are collected by the County and remitted to the City by approximately July 15 and December 15. Additionally, delinquent collections (November through December) are remitted to the City each January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land (as defined in State Statutes) in which event the property is subject to such sale after five years.

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Special Assessment Revenue Recognition**

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

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

**E. Depreciation**

Depreciation expense was charged to functions of primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 5,097
Public Safety	21,726
Streets and Highways	48,462
Culture and Recreation	7,239
Economic Development	25,190
Total Governmental Activities Depreciation Expense	<u>\$ 107,714</u>
 <b>Business-Type Activities:</b>	
Municipal Sewage Disposal	\$ 27,030
Municipal Water	82,611
Municipal Golf Course	21,557
Municipal Liquor Store	20,872
Total Business-Type Activities Depreciation Expense	<u>\$ 152,070</u>

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 - Defined Benefit Pension Plans**

**Public Employees' Retirement Association**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

**General Employees Retirement Plan**

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**Public Employees Police and Fire Plan**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**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.

**General Employees Plan Benefits**

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.



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Benefit increases are provided to benefit recipients each January. Beginning in 2019, 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%. 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. For 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 reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020 were \$37,075. The City's contributions were equal to the required contributions as set by State Statute.

**Police and Fire Fund Contributions**

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$20,348 The City's contributions were equal to the required contributions as set by State Statute.

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**D. Pension Costs**

**General Employees Fund Pension Costs**

At December 31, 2020, the City reported a liability of \$395,700 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 to the fund in 2020. 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's totaled \$12,196. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was .0066% at the end of the measurement period and .0056% for the beginning of the period.

City's proportionate share of net pension liability	\$395,700
State of Minnesota's proportionate share of net pension liability associated with the City	<u>12,196</u>
Total	<u>\$407,896</u>

For the year ended December 31, 2020 the City recognized pension expense of \$90,733 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,061 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,077	\$ 1,497
Changes in actuarial assumptions	-	13,873
Difference between projected and actual investment earnings	7,250	-
Changes in proportion	54,234	19,417
Contributions paid to PERA subsequent to the measurement date	19,528	-
<b>Total</b>	<u>\$ 84,089</u>	<u>\$ 34,787</u>

The \$19,528 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense</u>
2021	\$ (3,087)
2022	3,043
2023	20,258
2024	9,560

**Police and Fire Fund Pension Costs**

At December 31, 2020, the City reported a liability of \$129,174 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0098% at the end of the measurement period and .0100% for the beginning of the period.

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The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of (\$56,043) for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$933 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$882 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,281	\$ 5,633
Changes in actuarial assumptions	39,756	58,925
Difference between projected and actual investment earnings	7,769	-
Changes in proportion	20,644	28,531
Contributions paid to PERA subsequent to the measurement date	10,163	-
Total	\$ 83,613	\$ 93,089

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The \$10,163 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31:</u>	<u>Pension</u> <u>Expense</u>
2021	\$ (5,727)
2022	(32,351)
2023	11,509
2024	7,195
2025	(265)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

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The following changes in actuarial assumptions and plan provisions occurred in 2020:

**General Employees Fund**

**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.

**Police and Fire Fund**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

- There have been no changes since the prior valuation.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	<u>100%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis						
<i>Net Pension Liability at Different Discount Rates</i>						
	<u>General Employees Fund</u>			<u>Police and Fire Fund</u>		
1% Lower	6.50%	\$	622,996	6.50%	\$	257,463
Current Discount Rate	7.50%		395,700	7.50%		129,174
1% Higher	8.50%		208,026	8.50%		23,038

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**H. Pension Plan Fiduciary Net Position**

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

**Single Employer Plan – Blackduck Fire Relief Association**

**A. Plan Description**

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

**B. Benefits Provided**

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

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

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

**C. Employees Covered by Benefit Terms**

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	2
Active members	<u>22</u>
Total	<u><u>24</u></u>



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**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 on behalf payment of \$20,824 made by the State of Minnesota for the Relief Association.

**E. Net Pension Liability (Asset)**

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	6.25%
Inflation	2.50%
Expected Return on Plan Assets	6.25%
Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 67/68
Asset Valuation Method	Market Value of Assets
Mortality	Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2018, from a base year of 2006. Healthy post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96. Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

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

Asset Class	Assumed Target Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	52.00%	4.90%	7.40%
International Equity	15.00%	5.32%	7.82%
Fixed Income	0.00%	1.40%	3.90%
Real estate and alternatives	9.00%	4.43%	6.93%
Cash and Equivalents	24.00%	0.09%	2.59%
<b>Total</b>	<b>100.00%</b>		<b>6.63%</b>
Reduced for assumed investment expense			-0.50%
<b>Net Assumed Investment Return</b>			<b>6.25%</b>

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” We believe that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, we have used the plan's long-term expected investment return as the liability discount rate.

**G. 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 December 31, 2019	\$ 211,166	\$ 343,039	\$ (131,873)
Changes for the year:			
Service Cost	9,396	-	9,396
Interest	13,785	-	13,785
Differences between expected and actual experience	(8,444)	-	(8,444)
Changes of assumptions	18	-	18
Contributions - State and Local	-	20,348	(20,348)
Net Investment Income	-	70,704	(70,704)
Administrative Expense	-	(599)	599
<b>Net Changes</b>	<b>14,755</b>	<b>90,453</b>	<b>(75,698)</b>
<b>Balance at December 31, 2020</b>	<b>\$ 225,921</b>	<b>\$ 433,492</b>	<b>\$ (207,571)</b>

**CITY OF BLACKDUCK, MINNESOTA**  
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Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.25%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Point Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Point Increase (7.25%)</u>
Total Pension Liability	\$ 231,683	\$ 225,921	\$ 220,324
Plan Fiduciary Net Position	433,492	433,492	433,492
Net Pension Liability (Asset)	(201,809)	(207,571)	(213,168)

**H. Pension Plan Fiduciary Net Position**

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

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

For the year ended December 31, 2020, The City recognized pension expense of (\$8,781). At December 31, 2020, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 33,732
Difference between expected and actual liability	-	7,512
Change in Assumptions	16	-
Contributions to the plan subsequent to the measurement date	20,824	-
Total	<u>\$ 20,840</u>	<u>\$ 41,244</u>

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\$20,824 reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending:</u>		
2021	\$	(11,136)
2022		(11,137)
2023		(4,394)
2024		(10,785)
2025		(930)
Thereafter		(2,846)

**J. Aggregate Pension Costs**

	<u>General Employees Plan</u>	<u>Police and Fire Fund</u>	<u>Blackduck Fire Relief</u>	<u>Total</u>
Net Pension Liability	\$ 395,700	\$ 129,174	\$ -	\$ 524,874
Net Pension Asset	-	-	207,571	207,571
Deferred Outflows of Resources	84,089	83,613	20,840	188,542
Deferred Inflows of Resources	34,787	93,089	41,244	169,120
Pension Expense	91,794	(55,110)	(8,781)	27,903

**Note 5 – Interfund Balances and Transfers**

As of December 31, 2020, the City had an interfund balance of \$115,969 due to the Municipal Liquor Store Fund from the Municipal Golf Course Fund. The purpose of the balance is to eliminate the cash deficit in the Municipal Golf Course Fund. The Council has approved a long-term plan for repayment.

The City of Blackduck, Minnesota made the following transfers between funds during 2020 as follows:

		<u>Transfer Out</u>				<u>Total</u>
		<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Municipal Sewer Disposal Fund</u>	<u>Municipal Liquor Store Fund</u>	
<u>Transfer In</u>	Operating Transfers					
	General Fund	\$ -	\$ 4,613	\$ 15,000	\$ 75,000	\$ 94,613
	Nonmajor Governmental Funds	32,546	-	-	2,500	35,046
	Municipal Water Fund	3,553	-	-	-	3,553
	Municipal Sewer Disposal Fund	3,443	-	-	-	3,443
	Municipal Golf Course Fund	3,615	-	-	10,000	13,615
	Municipal Liquor Store Fund	10,719	-	-	-	10,719
Total Transfers	\$ 53,876	\$ 4,613	\$ 15,000	\$ 87,500	\$ 160,989	

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

**Note 6 – Risk Management**

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

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

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

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

**Note 7 – Stewardship, Compliance and Accountability**

**Deficit Net Position**

A net position deficit exists in the Municipal Golf Course Fund in the amount of \$101,712. The deficit will be eliminated by future revenue and/or expense constraints in the future.

**Expenditures in Excess of Budget**

Actual expenditures exceeded budget in the General Fund by \$262,020 for the year ended December 31, 2020. The excess expenditures were necessary and covered by available fund balance.

**CITY OF BLACKDUCK, MINNESOTA**  
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**Note 8 – Commitments and Contingencies**

The City entered into several construction contracts during the fiscal year for construction of municipal facilities and other capital projects. As of December 30, 2020, the City had the following outstanding construction contracts totaling \$237,862:

	<b>Committed Contracts</b>
Combined Maintenance and Police Facility	\$ 162,240
Pond Addition and Remodeling	54,740
Beach and Campground Build	20,882
	<b>\$ 237,862</b>

**Note 9 – Prior Period Adjustment**

As a result of the review of the activity in the City’s governmental funds, the City determined capital project funds related to water and sewer activity should be presented in the respective enterprise funds. The effect of the reclassification caused a restatement of beginning fund balance as follows:

	<b>Beginning Fund Balance/Net Position</b>	<b>Fund Reclassification</b>	<b>Beginning Fund Balance/Net Position (as restated)</b>
Governmental Activities	\$ 2,858,022	\$ (199,051)	\$ 2,658,971
Business-Type Activities	1,979,048	199,051	2,178,099
Nonmajor Governmental Funds	1,038,420	(199,051)	839,369
Municipal Water Fund	797,256	121,156	918,412
Municipal Sewage Disposal Fund	865,006	77,895	942,901

**CITY OF BLACKDUCK, MINNESOTA**  
**GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

	<u>2020</u>		<u>Variance- Positive (Negative)</u>	<u>2019 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<b><u>Revenues</u></b>				
<b><u>Taxes and Special Assessments</u></b>				
General Property Tax	\$ 226,764	\$ 231,486	\$ 4,722	\$ 182,098
Special Assessments	-	2	2	2
Total Taxes and Special Assessments	<u>226,764</u>	<u>231,488</u>	<u>4,724</u>	<u>182,100</u>
<b><u>Licenses and Permits</u></b>	<u>10,250</u>	<u>14,435</u>	<u>4,185</u>	<u>3,785</u>
<b><u>Intergovernmental Revenues</u></b>				
<b><u>Federal</u></b>				
Other Federal Revenue	-	113,286	113,286	-
<b><u>State</u></b>				
Local Government Aids	269,305	269,305	-	254,282
Market Value Credit	-	51	51	47
PERA Aid	-	-	-	1,113
Police Aids	15,500	20,089	4,589	18,370
Fire Aid	19,000	40,633	21,633	19,446
Other State Aid	-	-	-	1,319
Total Intergovernmental Revenues	<u>303,805</u>	<u>443,364</u>	<u>139,559</u>	<u>294,577</u>
<b><u>Charges for Services</u></b>				
Rural Fire Contracts	78,627	78,627	-	78,978
Other	8,000	9,320	1,320	8,445
Total Charges for Services	<u>86,627</u>	<u>87,947</u>	<u>1,320</u>	<u>87,423</u>
<b><u>Fines and Fees</u></b>	<u>3,100</u>	<u>428</u>	<u>(2,672)</u>	<u>592</u>
<b><u>Interest Income</u></b>	<u>3,000</u>	<u>2,360</u>	<u>(640)</u>	<u>3,296</u>
<b><u>Other</u></b>				
Reimbursements	250	11,957	11,707	12,873
Other	3,000	1,351	(1,649)	212
Total Other	<u>3,250</u>	<u>13,308</u>	<u>10,058</u>	<u>13,085</u>
<b><u>Total Revenues</u></b>	<u>636,796</u>	<u>793,330</u>	<u>156,534</u>	<u>584,858</u>

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

	<u>2020</u>			<u>2019</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
<b><u>Mayor and Council</u></b>				
Personal Services	7,050	6,701	349	6,994
Materials and Supplies	3,200	2,616	584	3,008
Other Expenditures	150	46	104	166
Total Mayor and Council	<u>10,400</u>	<u>9,363</u>	<u>1,037</u>	<u>10,168</u>
<b><u>Administration</u></b>				
Personal Services	90,780	89,437	1,343	87,338
Materials and Supplies	3,900	7,330	(3,430)	6,548
Purchased Services	20,520	35,612	(15,092)	19,830
Other Expenditures	8,140	32,171	(24,031)	8,630
Debt Service - Principal	2,100	1,958	142	-
Total Administration	<u>125,440</u>	<u>166,508</u>	<u>(41,068)</u>	<u>122,346</u>
<b><u>Planning/Zoning</u></b>				
Purchased Services	<u>10,000</u>	<u>10,728</u>	<u>(728)</u>	<u>1,000</u>
<b><u>Government Buildings</u></b>				
Materials and Supplies	900	1,136	(236)	7
Repairs and Maintenance	5,000	5,035	(35)	1,150
Purchased Services	9,098	9,440	(342)	12,003
Total Government Buildings	<u>14,998</u>	<u>15,611</u>	<u>(613)</u>	<u>13,160</u>
Total General Government	<u>160,838</u>	<u>202,210</u>	<u>(41,372)</u>	<u>146,674</u>

See Accompanying Notes to the Required Supplementary Information.



**CITY OF BLACKDUCK, MINNESOTA**  
**GENERAL FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For Year Ended December 31, 2019

	<b>2020</b>			<b>2019 Actual</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance- Positive (Negative)</b>	
<b><u>Public Safety</u></b>				
<b><u>Law Enforcement</u></b>				
Personal Services	157,991	163,185	(5,194)	149,396
Materials and Supplies	15,250	13,779	1,471	13,234
Repairs and Maintenance	6,000	2,334	3,666	2,740
Purchased Services	17,645	21,434	(3,789)	17,040
Other Expenditures	4,800	4,977	(177)	1,581
Capital Outlay	-	-	-	52,677
Total Law Enforcement	<u>201,686</u>	<u>205,709</u>	<u>(4,023)</u>	<u>236,668</u>
<b><u>Fire</u></b>				
Personal Services	14,600	12,775	1,825	12,640
Materials and Supplies	13,600	11,354	2,246	23,359
Repair and Maintenance	16,200	11,577	4,623	21,713
Purchased Services	18,700	20,512	(1,812)	15,690
Other Expenditures	21,300	42,960	(21,660)	20,346
Capital Outlay	1,000	1,000	-	-
Total Fire	<u>85,400</u>	<u>100,178</u>	<u>(14,778)</u>	<u>93,748</u>
Total Public Safety	<u>287,086</u>	<u>305,887</u>	<u>(18,801)</u>	<u>330,416</u>
<b><u>Streets and Highways</u></b>				
<b><u>Street Maintenance</u></b>				
Personal Services	67,746	72,752	(5,006)	65,536
Materials and Supplies	57,650	51,995	5,655	22,075
Repair and Maintenance	6,700	7,620	(920)	6,529
Purchased Services	15,426	18,053	(2,627)	23,766
Other Expenditures	1,200	3,009	(1,809)	640
Capital Outlay	10,000	200,308	(190,308)	1,530
Debt Service - Principal	-	7,705	(7,705)	6,985
Debt Service - Interest and Fiscal Fees	-	1,195	(1,195)	1,515
Total Street Maintenance	<u>158,722</u>	<u>362,637</u>	<u>(203,915)</u>	<u>128,576</u>

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA  
GENERAL FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020

With Comparative Amounts For Year Ended December 31, 2019

	<u>2020</u>			<u>2019</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Street Lighting</u>				
Materials and Supplies	3,500	4,654	(1,154)	6,103
Repairs and Maintenance	1,000	1,000	-	3,820
Purchased Services	11,000	8,209	2,791	7,817
Total Street Lighting	<u>15,500</u>	<u>13,863</u>	<u>1,637</u>	<u>17,740</u>
 Total Streets and Highways	 <u>174,222</u>	 <u>376,500</u>	 <u>(202,278)</u>	 <u>146,316</u>
 <u>Culture and Recreation</u>				
<u>Parks and Recreation</u>				
Personal Services	6,818	9,073	(2,255)	10,982
Materials and Supplies	3,450	4,076	(626)	2,432
Repairs and Maintenance	1,800	773	1,027	476
Purchased Services	7,575	7,518	57	7,852
Capital Outlay	2,350	2,141	209	2,267
Total Parks and Recreation	<u>21,993</u>	<u>23,581</u>	<u>(1,588)</u>	<u>24,009</u>
 <u>Library</u>				
Materials and Supplies	1,310	547	763	286
Repairs and Maintenance	2,089	1,372	717	1,092
Purchased Services	21,811	21,272	539	20,634
Capital Outlay	-	-	-	4,000
Total Library	<u>25,210</u>	<u>23,191</u>	<u>2,019</u>	<u>26,012</u>
 Total Culture and Recreation	 <u>47,203</u>	 <u>46,772</u>	 <u>431</u>	 <u>50,021</u>
 <u>Total Expenditures</u>	 <u>669,349</u>	 <u>931,369</u>	 <u>(262,020)</u>	 <u>673,427</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	 <u>(32,553)</u>	 <u>(138,039)</u>	 <u>(105,486)</u>	 <u>(88,569)</u>

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA  
GENERAL FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020

With Comparative Amounts For Year Ended December 31, 2019

	<u>2020</u>			<u>2019</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	-	1,588	1,588	-
Capital Lease Proceeds	-	76,823	76,823	-
Note Proceeds	-	30,000	30,000	-
Gain on Sale of Assets	-	9,750	9,750	-
Operating Transfer In	75,000	94,613	19,613	69,000
Operating Transfer (Out)	(32,000)	(53,876)	(21,876)	(32,000)
<u>Total Other Financing Sources (Uses)</u>	<u>43,000</u>	<u>158,898</u>	<u>115,898</u>	<u>37,000</u>
<u>Net Change in Fund Balance</u>	<u>10,447</u>	<u>20,859</u>	<u>10,412</u>	<u>(51,569)</u>
<u>Fund Balances, Beginning of Year</u>	<u>333,438</u>	<u>333,438</u>	<u>-</u>	<u>385,007</u>
<u>Fund Balances, End of Year</u>	<u>\$ 343,885</u>	<u>\$ 354,297</u>	<u>\$ 10,412</u>	<u>\$ 333,438</u>

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2020**

Last 10 Fiscal Years\*

Measurement Year Ended June 30:	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>General Employees Plan:</b>							
2020	0.0066%	\$ 395,700	\$ 12,196	\$ 407,896	\$ 467,533	84.64%	79.1%
2019	0.0056%	309,611	9,666	405,366	392,597	78.86%	80.2%
2018	0.0063%	349,498	11,629	361,127	391,852	89.19%	79.5%
2017	0.0055%	351,116	4,440	355,556	358,707	97.88%	75.9%
2016	0.0059%	479,051	6,281	485,332	339,358	141.16%	68.9%
2015	0.0056%	290,221	-	290,221	331,834	87.46%	78.2%
<b>Police and Fire Plan:</b>							
2020	0.0098%	129,174	-	129,174	110,692	116.70%	87.2%
2019	0.0100%	106,460	-	129,174	105,353	101.05%	89.3%
2018	0.0089%	94,865	-	94,865	93,975	100.95%	88.8%
2017	0.0070%	94,508	-	94,508	70,299	134.44%	85.4%
2016	0.0090%	361,186	-	361,186	82,565	437.46%	63.9%
2015	0.0090%	102,261	-	102,261	85,264	119.93%	86.6%

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

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**DECEMBER 31, 2020**

Last 10 Fiscal Years\*

<b>For the Year Ended December 31:</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b><u>General Employees Plan:</u></b>					
2020	\$ 37,075	\$ 37,075	\$ -	\$ 495,004	7.49%
2019	32,576	32,576	-	424,634	7.67%
2018	29,979	29,979	-	400,281	7.49%
2017	27,750	27,750	-	369,998	7.50%
2016	26,862	26,862	-	357,400	7.52%
2015	25,927	25,927	-	345,842	7.50%
<b><u>Police and Fire Plan:</u></b>					
2020	20,348	20,348	-	114,963	17.70%
2019	18,207	18,207	-	107,416	16.95%
2018	16,383	16,383	-	101,126	16.20%
2017	14,402	14,402	-	88,902	16.20%
2016	10,129	10,129	-	63,273	16.01%
2015	14,201	14,201	-	87,662	16.20%

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

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS -**  
**BLACKDUCK FIRE RELIEF ASSOCIATION**  
**DECEMBER 31, 2020**

Last 10 Fiscal Years\*

<u>For the Year Ended December 31:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability (Asset):</b>			
Service Cost	\$ 9,396	\$ 9,167	\$ 8,943
Interest Cost	13,785	12,596	11,491
Differences between expected and actual	(8,444)	-	-
Assumption Changes	18	-	-
Benefit Payments	-	(5,940)	-
<b>Net Change in Total Pension Liability (Asset)</b>	<u>14,755</u>	<u>15,823</u>	<u>20,434</u>
<b>Total Pension Liability - beginning</b>	<u>211,166</u>	<u>195,343</u>	<u>174,909</u>
<b>Total Pension Liability - ending (a)</b>	<u>\$ 225,921</u>	<u>\$ 211,166</u>	<u>\$ 195,343</u>
<b>Plan Fiduciary Net Position:</b>			
Contribution - State and Local	\$ 20,348	\$ 19,446	\$ 24,084
Net Investment Income	70,704	(10,829)	50,603
Administrative Expenses	(599)	(599)	(2,399)
Benefit Payments	-	(5,940)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>90,453</u>	<u>2,078</u>	<u>72,288</u>
<b>Plan Fiduciary Net Position - beginning</b>	<u>343,039</u>	<u>340,961</u>	<u>268,673</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 433,492</u>	<u>\$ 343,039</u>	<u>\$ 340,961</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	\$ (207,571)	\$ (131,873)	\$ (145,618)
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	191.88%	162.45%	174.54%
<b>Covered Payroll</b>	N/A	N/A	N/A
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	N/A	N/A	N/A

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

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS -**  
**BLACKDUCK FIRE RELIEF ASSOCIATION**  
**DECEMBER 31, 2020**

Last 10 Fiscal Years\*

<b><u>For the Year Ended December 31:</u></b>	<b><u>Statutorily Required Contribution</u></b>	<b><u>Contributions in Relation to the Statutorily Required Contributions</u></b>	<b><u>Contribution Deficiency (Excess)</u></b>	<b><u>Non-Employer State Aid</u></b>	<b><u>City's Covered Payroll</u></b>	<b><u>Contributions as a Percentage of Covered Payroll</u></b>
2020	\$ -	\$ -	\$ -	\$ 20,824	n/a	n/a
2019	-	-	-	19,808	n/a	n/a
2018	-	-	-	19,446	n/a	n/a

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

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF INVESTMENT RETURNS -**  
**BLACKDUCK FIRE RELIEF ASSOCIATION**  
**DECEMBER 31, 2020**

Last 10 Fiscal Years\*

<b><u>For the Year Ended:</u></b>	<b><u>Annual money-weighted rate of return, net of investment expense</u></b>
December 31, 2020	20.6%
December 31, 2019	-3.2%
December 31, 2018	18.7%

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

See Accompanying Notes to the Required Supplementary Information.



**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**Note 1 – Budgetary Data**

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

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

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

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

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**Note 2 – Pensions**

**General Employees Fund**

**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.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**2019 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**2018 Changes:**

**Changes in Actuarial Assumptions:**

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

**2017 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**2016 Changes:**

**Changes in Actuarial Assumptions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**2015 Changes:**

**Changes in Plan Provisions:**

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

**Changes in Actuarial Assumptions:**

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

**Police and Fire Fund**

**2020 Changes:**

**Changes in Actuarial Assumptions:**

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

**2019 Changes:**

**Changes in Actuarial Assumptions:**

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

**2018 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes:**

**Changes in Actuarial Assumptions:**

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average .34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of .96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**2016 Changes:**

**Changes in Actuarial Assumptions:**

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

**2015 Changes:**

**Changes in Plan Provisions:**

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

**Changes in Actuarial Assumptions:**

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

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

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**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2020**

	<b>Total Special Revenue Funds</b>	<b>Total Capital Project Funds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>ASSETS</u></b>				
Cash	\$ 228,921	\$ 270,421	\$ 155,757	\$ 655,099
Accounts Receivable	63	-	-	63
Due from Other Governments	-	-	1,617	1,617
Delinquent Property Taxes Receivable	-	-	4,547	4,547
Special Assessments Receivable	-	-	64,317	64,317
Prepaid Expenses	1,252	-	-	1,252
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 230,236</u></b>	<b><u>\$ 270,421</u></b>	<b><u>\$ 226,238</u></b>	<b><u>\$ 726,895</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 310	\$ -	\$ -	\$ 310
Accrued Salaries and Wages Payable	154	-	-	154
<b>Total Liabilities</b>	<b><u>464</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>464</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable Revenue	-	-	68,864	68,864
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Fund Balances</u></b>				
Nonspendable	1,252	-	-	1,252
Restricted	163,606	-	140,545	304,151
Committed	62,392	-	16,829	79,221
Assigned	2,522	270,421	-	272,943
<b>Total Fund Balances</b>	<b><u>229,772</u></b>	<b><u>270,421</u></b>	<b><u>157,374</u></b>	<b><u>657,567</u></b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 230,236</u></b>	<b><u>\$ 270,421</u></b>	<b><u>\$ 226,238</u></b>	<b><u>\$ 726,895</u></b>



**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>Revenues</u></b>				
General Property Taxes	\$ -	\$ -	\$ 54,957	\$ 54,957
Special Assessments	-	-	27,944	27,944
Tax Increments	27,659	-	-	27,659
Charges for Services	17,729	-	-	17,729
Intergovernmental Revenues	11,010	-	-	11,010
Interest Income	1,122	808	893	2,823
Other	36,952	-	-	36,952
<b><u>Total Revenues</u></b>	<b><u>94,472</u></b>	<b><u>808</u></b>	<b><u>83,794</u></b>	<b><u>179,074</u></b>
<b><u>Expenditures</u></b>				
Current:				
Culture and Recreation	57,813	-	-	57,813
Cemetery	6,390	-	-	6,390
Capital Outlay	47	-	-	47
Debt Service:				
Principal	-	-	64,817	64,817
Interest and Fiscal Charges	21,782	-	13,022	34,804
<b><u>Total Expenditures</u></b>	<b><u>86,032</u></b>	<b><u>-</u></b>	<b><u>77,839</u></b>	<b><u>163,871</u></b>
<b><u>Excess of Revenues</u></b>				
<b><u>Over (Under) Expenditures</u></b>	<b><u>8,440</u></b>	<b><u>808</u></b>	<b><u>5,955</u></b>	<b><u>15,203</u></b>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers Out	-	(4,613)	-	(4,613)
Operating Transfers In	5,046	30,000	-	35,046
<b><u>Total Other Financing Sources (Uses)</u></b>	<b><u>5,046</u></b>	<b><u>25,387</u></b>	<b><u>-</u></b>	<b><u>30,433</u></b>
<b><u>Net Change in Fund Balance</u></b>	<b><u>13,486</u></b>	<b><u>26,195</u></b>	<b><u>5,955</u></b>	<b><u>45,636</u></b>
<b><u>Fund Balances, Beginning of Year (as restated)</u></b>	<b><u>216,286</u></b>	<b><u>244,226</u></b>	<b><u>151,419</u></b>	<b><u>611,931</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ 229,772</u></b>	<b><u>\$ 270,421</u></b>	<b><u>\$ 157,374</u></b>	<b><u>\$ 657,567</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2020**

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Pine Tree Park Fund</u>	<u>Tax Increment Financing Districts</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 2,582	\$ 62,455	\$ 58,891	\$ 104,993	\$ 228,921
Accounts Receivable	63	-	-	-	63
Prepaid Expenses	214	-	1,038	-	1,252
<b>Total Assets</b>	<b>\$ 2,859</b>	<b>\$ 62,455</b>	<b>\$ 59,929</b>	<b>\$ 104,993</b>	<b>\$ 230,236</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 54	\$ 63	\$ 193	\$ -	\$ 310
Accrued Salaries and Wages Payable	69	-	85	-	154
<b>Total Liabilities</b>	<b>123</b>	<b>63</b>	<b>278</b>	<b>-</b>	<b>464</b>
<b><u>Fund Balances</u></b>					
Nonspendable	214	-	1,038	-	1,252
Restricted	-	-	58,613	104,993	163,606
Committed	-	62,392	-	-	62,392
Assigned	2,522	-	-	-	2,522
<b>Total Fund Balances</b>	<b>2,736</b>	<b>62,392</b>	<b>59,651</b>	<b>104,993</b>	<b>229,772</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,859</b>	<b>\$ 62,455</b>	<b>\$ 59,929</b>	<b>\$ 104,993</b>	<b>\$ 230,236</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	Cemetery Fund	Perpetual Care Fund	Pine Tree Park Fund	Tax Increment Financing Districts	Total Nonmajor Special Revenue Funds
<b>Revenues</b>					
Tax Increments	\$ -	\$ -	\$ -	\$ 27,659	\$ 27,659
Charges for Services	2,875	876	13,978	-	17,729
Intergovernmental Revenues	-	-	11,010	-	11,010
Interest Income	174	96	852	-	1,122
Other	488	249	36,215	-	36,952
<b>Total Revenues</b>	<b>3,537</b>	<b>1,221</b>	<b>62,055</b>	<b>27,659</b>	<b>94,472</b>
<b>Expenditures</b>					
<b>Current:</b>					
Culture and Recreation	-	-	57,813	-	57,813
Cemetery	6,390	-	-	-	6,390
Capital Outlay	-	-	47	-	47
<b>Debt Service:</b>					
Interest and Fiscal Charges	-	-	-	21,782	21,782
<b>Total Expenditures</b>	<b>6,390</b>	<b>-</b>	<b>57,860</b>	<b>21,782</b>	<b>86,032</b>
<b>Excess of Revenues</b>					
<b>Over (Under) Expenditures</b>	<b>(2,853)</b>	<b>1,221</b>	<b>4,195</b>	<b>5,877</b>	<b>8,440</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	4,627	-	419	-	5,046
<b>Net Change in Fund Balance</b>	<b>1,774</b>	<b>1,221</b>	<b>4,614</b>	<b>5,877</b>	<b>13,486</b>
<b>Fund Balances, Beginning of Year</b>	<b>962</b>	<b>61,171</b>	<b>55,037</b>	<b>99,116</b>	<b>216,286</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,736</b>	<b>\$ 62,392</b>	<b>\$ 59,651</b>	<b>\$ 104,993</b>	<b>\$ 229,772</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2020**

	<b>Fire Hall Maintenance Fund</b>	<b>Public Works Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>			
Cash	<u>\$ 257,588</u>	<u>\$ 12,833</u>	<u>\$ 270,421</u>
 <b><u>Fund Balances</u></b>			
Assigned	<u>\$ 257,588</u>	<u>\$ 12,833</u>	<u>\$ 270,421</u>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	<b><u>Fire Hall Maintenance Fund</u></b>	<b><u>Public Works Reserve Fund</u></b>	<b><u>Total Nonmajor Capital Project Funds</u></b>
<b><u>Revenues</u></b>			
Interest Income	\$ 759	\$ 49	\$ 808
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers Out	-	(4,613)	(4,613)
Operating Transfers In	30,000	-	30,000
<b><u>Total Other Financing Sources (Uses)</u></b>	<b><u>30,000</u></b>	<b><u>(4,613)</u></b>	<b><u>25,387</u></b>
<b><u>Net Change in Fund Balance</u></b>	<b><u>30,759</u></b>	<b><u>(4,564)</u></b>	<b><u>26,195</u></b>
<b><u>Fund Balances, Beginning of Year (as restated)</u></b>	<b><u>226,829</u></b>	<b><u>17,397</u></b>	<b><u>244,226</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ 257,588</u></b>	<b><u>\$ 12,833</u></b>	<b><u>\$ 270,421</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2020**

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
<b><u>ASSETS</u></b>					
Cash	\$ 12,167	\$ 90,082	\$ 48,850	\$ 4,658	\$ 155,757
Due from Other Governments	4	1,051	562	-	1,617
Delinquent Property Taxes Receivable	14	2,551	1,982	-	4,547
Special Assessments Receivable	9,000	11,447	-	43,870	64,317
<b>Total Assets</b>	<b>\$ 21,185</b>	<b>\$ 105,131</b>	<b>\$ 51,394</b>	<b>\$ 48,528</b>	<b>\$ 226,238</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
<b><u>AND FUND BALANCES</u></b>					
<b><u>Deferred Inflows of Resources</u></b>					
Unavailable Revenue	\$ 9,014	\$ 13,998	\$ 1,982	\$ 43,870	\$ 68,864
<b><u>Fund Balances</u></b>					
Restricted	-	91,133	49,412	-	140,545
Committed	12,171	-	-	4,658	16,829
<b>Total Fund Balances</b>	<b>12,171</b>	<b>91,133</b>	<b>49,412</b>	<b>4,658</b>	<b>157,374</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 21,185</b>	<b>\$ 105,131</b>	<b>\$ 51,394</b>	<b>\$ 48,528</b>	<b>\$ 226,238</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
<b><u>Revenues</u></b>					
General Property Taxes	\$ 352	\$ 34,503	\$ 20,102	\$ -	\$ 54,957
Special Assessments	9,360	11,620	-	6,964	27,944
Interest Income	111	332	442	8	893
<b><u>Total Revenues</u></b>	<b><u>9,823</u></b>	<b><u>46,455</u></b>	<b><u>20,544</u></b>	<b><u>6,972</u></b>	<b><u>83,794</u></b>
<b><u>Expenditures</u></b>					
Debt Service:					
Principal	9,967	35,000	15,000	4,850	64,817
Interest and Fiscal Charges	-	8,583	2,901	1,538	13,022
<b><u>Total Expenditures</u></b>	<b><u>9,967</u></b>	<b><u>43,583</u></b>	<b><u>17,901</u></b>	<b><u>6,388</u></b>	<b><u>77,839</u></b>
<b><u>Net Change in Fund Balance</u></b>	<b><u>(144)</u></b>	<b><u>2,872</u></b>	<b><u>2,643</u></b>	<b><u>584</u></b>	<b><u>5,955</u></b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b><u>12,315</u></b>	<b><u>88,261</u></b>	<b><u>46,769</u></b>	<b><u>4,074</u></b>	<b><u>151,419</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ 12,171</u></b>	<b><u>\$ 91,133</u></b>	<b><u>\$ 49,412</u></b>	<b><u>\$ 4,658</u></b>	<b><u>\$ 157,374</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2020**

With Comparative Amounts For December 31, 2019

		(As Restated)
<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 426,564	\$ 422,773
Accounts Receivable	24,372	23,168
Special Assessments Receivable	126,416	140,542
Due from Other Governments	223	223
Prepaid Expenses	1,464	1,464
Total Current Assets	579,039	588,170
<b><u>Capital Assets</u></b>		
Furniture & Fixtures	7,740	-
Other Improvements	2,206,386	2,206,386
Construction in Progress	1,014	-
	2,215,140	2,206,386
Less: Accumulated Depreciation	(910,828)	(828,217)
Capital Assets, Net of Depreciation	1,304,312	1,378,169
<b><u>Total Assets</u></b>	<b>1,883,351</b>	<b>1,966,339</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows Related to Pensions	10,932	6,744
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Current Portion of Bonds Payable	52,000	52,000
Accounts Payable	6,725	3,257
Sales Tax Payable	296	283
Accrued Interest Payable	7,727	7,727
Accrued Salaries and Wages Payable	3,652	1,355
Total Current Liabilities	70,400	64,622
<b><u>Long-Term Liabilities</u></b>		
Bonds Payable, Net of Unamortized Bond Discount	934,322	985,834
Less: Current Portion	(52,000)	(52,000)
Accrued Compensated Absences	4,061	3,139
Net Pension Liability	51,441	40,249
Total Long-Term Liabilities	937,824	977,222
<b><u>Total Liabilities</u></b>	<b>1,008,224</b>	<b>1,041,844</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows Related to Pensions	4,522	12,827
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	369,990	392,335
Unrestricted	511,547	526,077
<b><u>Total Net Position</u></b>	<b>\$ 881,537</b>	<b>\$ 918,412</b>



**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For The Year Ended December 31, 2019

	2020		Variance - Positive (Negative)	(As Restated) 2019 Actual
	Original and Final Budget	Actual		
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 222,217	\$ 210,570	\$ (11,647)	\$ 207,451
<b><u>Operating Expenses</u></b>				
Personnel Services	87,800	93,892	(6,092)	78,075
Utilities	11,500	12,470	(970)	11,623
Supplies and Materials	11,400	4,933	6,467	7,851
Repairs and Maintenance	14,500	8,740	5,760	10,692
Contracted Services	9,500	31,836	(22,336)	8,762
Insurance	3,925	4,195	(270)	3,752
Depreciation and Amortization	-	83,099	(83,099)	70,006
Other Expenses	19,694	8,524	11,170	10,019
Total Operating Expenses	158,319	247,689	(89,370)	200,780
<b><u>Operating Income (Loss)</u></b>	<b>63,898</b>	<b>(37,119)</b>	<b>(101,017)</b>	<b>6,671</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Income	(2,000)	6,932	8,932	9,164
Intergovernmental Grants and Aids	-	6,994	6,994	30,165
Special Assessments	6,933	-	(6,933)	-
Miscellaneous	-	2,136	2,136	26
Interest Expense	(20,070)	(19,371)	699	(19,546)
Total Non-Operating Revenues (Expenses)	(15,137)	(3,309)	11,828	19,809
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<b>48,761</b>	<b>(40,428)</b>	<b>(89,189)</b>	<b>26,480</b>
<b><u>Operating Transfers</u></b>				
Transfer from Other Funds	-	3,553	3,553	-
<b><u>Change in Net Position</u></b>	<b>48,761</b>	<b>(36,875)</b>	<b>(85,636)</b>	<b>26,480</b>
<b><u>Net Position, Beginning of Year (as restated)</u></b>	<b>918,412</b>	<b>918,412</b>	<b>-</b>	<b>891,932</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 967,173</b>	<b>\$ 881,537</b>	<b>\$ (85,636)</b>	<b>\$ 918,412</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For December 31, 2019

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>(As Restated)</u> <u>2019</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 209,366	\$ 201,876
Cash Paid to Employees	(91,974)	(81,078)
Cash Paid to Suppliers	(67,217)	(60,773)
Net Cash Provided by (Used in) Operating Activities	<u>50,175</u>	<u>60,025</u>
 <b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Miscellaneous Revenue	2,136	27
Transfers from Other Funds	3,553	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>5,689</u>	<u>27</u>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Purchases of Property and Equipment	(8,754)	(60,637)
Debt Proceeds	-	30,472
Principal Paid on Bonds Payable	(52,000)	(52,000)
Grant Proceeds	6,994	30,165
Special Assessment Collections	14,126	20,443
Interest and Fees Paid on Bonds	(19,371)	(19,770)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(59,005)</u>	<u>(51,327)</u>
 <b><u>Cash Flows from Investing Activities</u></b>		
Interest Income	6,932	9,164
 <b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>3,791</u>	<u>17,889</u>
 <b><u>Cash and Cash Equivalents, Beginning of Year (as restated)</u></b>	<u>422,773</u>	<u>404,884</u>
 <b><u>Cash and Cash Equivalents, End of Year</u></b>	<u>\$ 426,564</u>	<u>\$ 422,773</u>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**  
With Comparative Amounts For December 31, 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH**  
**PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>2020</u>	<u>2019</u>
<b><u>Operating Income (Loss)</u></b>	\$ (37,119)	\$ 6,670
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u></b>		
<b><u>Provided by (Used in) Operating Activities</u></b>		
Depreciation and Amortization	83,099	70,006
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(1,204)	(5,352)
(Increase) Decrease in Due from Other Governments	-	(223)
(Increase) Decrease in Deferred Outflows of Resources	(4,188)	6,781
Increase (Decrease) in Accounts Payable	3,468	(7,975)
Increase (Decrease) in Sales Tax Payable	13	(98)
Increase (Decrease) in Accrued Salaries and Wages Payable	2,297	-
Increase (Decrease) in Accrued Compensated Absences	922	(762)
Increase (Decrease) in Deferred Inflows of Resources	(8,305)	(341)
Increase (Decrease) in Net Pension Liability	11,192	(8,681)
	<u>11,192</u>	<u>(8,681)</u>
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<u>\$ 50,175</u>	<u>\$ 60,025</u>

CITY OF BLACKDUCK, MINNESOTA  
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND  
SCHEDULE OF NET POSITION  
DECEMBER 31, 2020  
With Comparative Amounts For December 31, 2019

<u>ASSETS</u>	<u>2020</u>	<u>(As Restated)</u> <u>2019</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 286,376	\$ 269,481
Accounts Receivable	23,503	22,274
Property Taxes Receivable	700	700
Special Assessments Receivable	75,065	84,728
Due from Other Governments	485	485
Prepaid Expenses	2,843	2,843
Total Current Assets	<u>388,972</u>	<u>380,511</u>
<u>Capital Assets</u>		
Land and Buildings	2,289,673	2,289,673
Furniture, Fixtures and Equipment	18,027	11,944
Other Improvements	743,541	743,541
Construction in Progress	1,014	-
	<u>3,052,255</u>	<u>3,045,158</u>
Less: Accumulated Depreciation	<u>(2,315,461)</u>	<u>(2,288,431)</u>
Capital Assets, Net of Depreciation	<u>736,794</u>	<u>756,727</u>
<u>Total Assets</u>	<u>1,125,766</u>	<u>1,137,238</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>11,772</u>	<u>7,263</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	26,000	26,000
Accounts Payable	5,161	1,520
Accrued Interest Payable	1,681	1,681
Accrued Salaries and Wages Payable	3,845	2,338
Total Current Liabilities	<u>36,687</u>	<u>31,539</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	109,644	135,644
Less: Current Portion	(26,000)	(26,000)
Accrued Compensated Absences	4,228	3,258
Net Pension Liability	55,398	43,346
Total Long-Term Liabilities	<u>143,270</u>	<u>156,248</u>
<u>Total Liabilities</u>	<u>179,957</u>	<u>187,787</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>4,870</u>	<u>13,813</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	627,150	621,083
Unrestricted	<u>325,561</u>	<u>321,818</u>
<u>Total Net Position</u>	<u>\$ 952,711</u>	<u>\$ 942,901</u>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For The Year Ended December 31, 2019

	2020		Variance - Positive (Negative)	(As Restated) 2019 Actual
	Original and Final Budget	Actual		
	Budget	Actual		
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 188,084	\$ 204,831	\$ 16,747	\$ 155,182
<b><u>Operating Expenses</u></b>				
Personnel Services	91,083	93,691	(2,608)	82,189
Utilities	17,000	19,745	(2,745)	26,588
Supplies and Materials	4,550	3,491	1,059	2,526
Repairs and Maintenance	16,700	7,784	8,916	8,773
Contracted Services	10,000	30,945	(20,945)	3,301
Insurance	6,000	7,549	(1,549)	5,620
Depreciation	-	27,030	(27,030)	14,374
Other Expenses	5,500	5,086	414	5,580
Total Operating Expenses	<u>150,833</u>	<u>195,321</u>	<u>(44,488)</u>	<u>148,951</u>
<b><u>Operating Income (Loss)</u></b>	<u>37,251</u>	<u>9,510</u>	<u>(27,741)</u>	<u>6,231</u>
<b><u>Non-Operating Income (Expense)</u></b>				
Interest Income	750	4,196	3,446	5,374
Property Taxes	7,989	8,862	873	8,147
Special Assessments	4,872	-	(4,872)	-
Intergovernmental Grants and Aids	-	-	-	51,383
Miscellaneous	-	1,487	1,487	989
Fiscal Agent Fees	-	-	-	(108)
Interest Expense	(5,525)	(2,688)	2,837	(5,885)
Total Non-Operating Income (Expense)	<u>8,086</u>	<u>11,857</u>	<u>3,771</u>	<u>59,900</u>
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<u>45,337</u>	<u>21,367</u>	<u>(23,970)</u>	<u>66,131</u>
<b><u>Operating Transfers</u></b>				
Transfer to Other Funds	-	(15,000)	(15,000)	-
Transfer from Other Funds	-	3,443	3,443	-
Total Operating Transfers	<u>-</u>	<u>(11,557)</u>	<u>(11,557)</u>	<u>-</u>
<b><u>Change in Net Position</u></b>	45,337	9,810	(35,527)	66,131
<b><u>Net Position, Beginning of Year (as restated)</u></b>	<u>942,901</u>	<u>942,901</u>	<u>-</u>	<u>876,770</u>
<b><u>Net Position, End of Year</u></b>	<u>\$ 988,238</u>	<u>\$ 952,711</u>	<u>\$ (35,527)</u>	<u>\$ 942,901</u>

CITY OF BLACKDUCK, MINNESOTA  
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND  
SCHEDULE OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020  
 With Comparative Amounts For December 31, 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 203,602	\$ 150,355
Cash Paid to Employees	(92,614)	(84,427)
Cash Paid to Suppliers	(70,959)	(65,359)
Net Cash Provided by (Used in) Operating Activities	<u>40,029</u>	<u>569</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	1,487	989
Transfers To Other Funds	(15,000)	-
Transfers From Other Funds	3,443	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(10,070)</u>	<u>989</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(7,097)	(57,665)
Principal Paid on Bonds Payable	(26,000)	(109,356)
Grant Proceeds	-	51,383
Property Taxes Proceeds	8,862	8,092
Special Assessment Proceeds	9,663	12,534
Fiscal Agent Fees Paid	-	(16)
Interest and Fees Paid on Bonds	(2,688)	(7,231)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(17,260)</u>	<u>(102,259)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	<u>4,196</u>	<u>5,374</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	16,895	(95,327)
<u>Cash and Cash Equivalents, Beginning of Year (as restated)</u>	<u>269,481</u>	<u>364,808</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 286,376</u>	<u>\$ 269,481</u>

CITY OF BLACKDUCK, MINNESOTA  
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND  
SCHEDULE OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020  
 With Comparative Amounts For December 31, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	2020	2019
<u>Operating Income (Loss)</u>	\$ 9,510	\$ 6,139
 <u>Adjustments to Reconcile Operating Income (Loss) to</u>		
<u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	27,030	14,374
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(1,229)	(4,458)
(Increase) Decrease in Due from Other Governments	-	(369)
(Increase) Decrease in Deferred Outflows of Resources	(4,509)	7,228
Increase (Decrease) in Accounts Payable	3,641	(12,879)
Increase (Decrease) in Accrued Salaries and Wages Payable	1,507	914
Increase (Decrease) in Accrued Compensated Absences	970	(1,006)
Increase (Decrease) in Deferred Inflows of Resources	(8,943)	(295)
Increase (Decrease) in Net Pension Liability	12,052	(9,079)
 <u>Net Cash Provided by (Used in) Operating Activities</u>	 \$ 40,029	 \$ 569

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL GOLF COURSE ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2020**

With Comparative Amounts For December 31, 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<b><u>Current Assets</u></b>		
Accounts Receivable	\$ 1,064	\$ 259
Property Taxes Receivable	264	264
Due from Other Governments	404	404
Prepaid Expenses	2,622	2,622
Total Current Assets	4,354	3,549
<b><u>Capital Assets</u></b>		
Land and Buildings	270,101	208,712
Furniture, Fixtures and Equipment	363,705	363,705
	633,806	572,417
Less: Accumulated Depreciation & Amortization	(422,077)	(400,520)
Capital Assets, Net of Depreciation	211,729	171,897
<b><u>Total Assets</u></b>	<b>216,083</b>	<b>175,446</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows Related to Pensions	7,568	3,631
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Current Portion of Bonds Payable	28,952	23,000
Accounts Payable	472	1,448
Accrued Interest Payable	1,208	1,208
Total Current Liabilities	30,632	25,656
<b><u>Long-Term Liabilities</u></b>		
Due to Other Funds	115,969	110,878
Bonds Payable, Net of Unamortized Bond Discount	168,970	130,727
Current Portion of Bonds Payable	(28,952)	(23,000)
Net Pension Liability	35,613	21,673
Total Long-Term Liabilities	291,600	240,278
<b><u>Total Liabilities</u></b>	<b>322,232</b>	<b>265,934</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows Related to Pensions	3,131	6,907
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	42,759	41,170
Unrestricted	(144,471)	(134,934)
<b><u>Total Net Position</u></b>	<b>\$ (101,712)</b>	<b>\$ (93,764)</b>



**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL GOLF COURSE ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**

With Comparative Amounts For The Year Ended December 31, 2019

	2020		Variance - Positive (Negative)	2019 Actual
	Original and Final Budget	Actual		
<u>Sales</u>	\$ 13,000	\$ 11,010	\$ (1,990)	\$ 12,399
<u>Cost of Sales</u>	(9,000)	(6,697)	2,303	(8,000)
<u>Gross Profit</u>	4,000	4,313	313	4,399
<u>Operating Revenues</u>	94,625	95,711	1,086	72,548
<u>Total Gross Profit and Operating Revenues</u>	98,625	100,024	1,399	76,947
<u>Operating Expenses</u>				
Personnel Services	61,975	74,165	(12,190)	73,986
Utilities	7,675	5,293	2,382	6,617
Supplies and Materials	10,700	9,530	1,170	7,931
Repairs and Maintenance	-	11,278	(11,278)	18,268
Contracted Services	-	69	(69)	-
Insurance	6,900	6,241	659	7,583
Depreciation and Amortization	-	21,611	(21,611)	21,226
Other Expenses	32,000	13,154	18,846	9,053
Total Operating Expenses	119,250	141,341	(22,091)	144,664
<u>Operating Income (Loss)</u>	(20,625)	(41,317)	(20,692)	(67,717)
<u>Non-Operating Revenues (Expenses)</u>				
Property Taxes	16,958	17,188	230	16,213
Grant Proceeds	-	2,000	2,000	5,824
Miscellaneous	-	3,242	3,242	896
Interest Expense	(2,674)	(2,676)	(2)	(2,936)
Total Non-Operating Revenues (Expenses)	14,284	19,754	5,470	19,997
<u>Net Income (Loss) Before Operating Transfers</u>	(6,341)	(21,563)	(15,222)	(47,720)
<u>Operating Transfers</u>				
Transfer From Other Funds	10,000	13,615	3,615	10,000
<u>Change in Net Position</u>	3,659	(7,948)	(11,607)	(37,720)
<u>Net Position, Beginning of Year</u>	(93,764)	(93,764)	-	(56,044)
<u>Net Position, End of Year</u>	\$ (90,105)	\$ (101,712)	\$ (11,607)	\$ (93,764)

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL GOLF COURSE ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**  
With Comparative Amounts For December 31, 2019

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	2020	2019
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Users and Customers	\$ 105,916	\$ 84,492
Cash Paid to Employees	(67,938)	(62,915)
Cash Paid to Suppliers	(53,238)	(58,025)
Net Cash Provided by (Used in) Operating Activities	(15,260)	(36,448)
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Miscellaneous Revenue	3,242	896
Interfund Financing	5,091	28,628
Transfers From Other Funds	13,615	10,000
Net Cash Provided by (Used in) Non-Capital Financing Activities	21,948	39,524
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Purchases of Property and Equipment	(61,389)	-
Principal Paid on Bonds Payable	(23,200)	(22,000)
Debt Proceeds	61,389	-
Property Tax Proceeds	17,188	16,213
Grant Proceeds	2,000	5,824
Interest Paid	(2,676)	(3,113)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(6,688)	(3,076)
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	-	-
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	-	-
<b><u>Cash and Cash Equivalents, End of Year</u></b>	\$ -	\$ -

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

<b><u>Operating Income (Loss)</u></b>	\$ (41,317)	\$ (67,717)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash  Provided by (Used in) Operating Activities</u></b>		
Depreciation and Amortization	21,611	21,226
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(805)	213
(Increase) Decrease in Property Taxes Receivable	-	(264)
(Increase) Decrease in Due from Other Governments	-	(404)
(Increase) Decrease in Prepaid Expenses	-	541
(Increase) Decrease in Deferred Outflows of Resources	(3,937)	233
Increase (Decrease) in Accounts Payable	(976)	(1,114)
Increase (Decrease) in Deferred Inflows of Resources	(3,776)	3,145
Increase (Decrease) in Net Pension Liability	13,940	7,693
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	\$ (15,260)	\$ (36,448)

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2020**

With Comparative Amounts For December 31, 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 205,026	\$ 234,553
Cash on Hand	2,000	2,000
Accounts Receivable	9,883	5,238
Inventory	87,723	106,097
Prepaid Expenses	7,840	7,840
<b>Total Current Assets</b>	<b>312,472</b>	<b>355,728</b>
<u>Capital Assets</u>		
Land and Buildings	355,843	355,843
Furniture, Fixtures and Equipment	123,349	62,381
Other Improvements	54,634	54,634
Construction in Progress	4,760	-
	<u>538,586</u>	<u>472,858</u>
Less: Accumulated Depreciation	(341,436)	(323,112)
<b>Capital Assets, Net of Depreciation</b>	<b>197,150</b>	<b>149,746</b>
<u>Non-Current Assets</u>		
Due from Other Funds	<u>115,969</u>	<u>110,878</u>
<b>Total Assets</b>	<b>625,591</b>	<b>616,352</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>30,272</u>	<u>18,676</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Capital Leases Payable	11,848	-
Accounts Payable	67,836	53,841
Sales Taxes Payable	10,364	10,848
Accrued Salaries and Wages Payable	8,061	5,470
<b>Total Current Liabilities</b>	<b>98,109</b>	<b>70,159</b>
<u>Long-Term Liabilities</u>		
Accrued Compensated Absences	12,508	7,339
Capital Leases Payable	57,714	-
Current Portion of Capital Leases Payable	(11,848)	-
Net Pension Liability	142,452	111,460
<b>Total Long-Term Liabilities</b>	<b>200,826</b>	<b>118,799</b>
<b>Total Liabilities</b>	<b>298,935</b>	<b>188,958</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>12,524</u>	<u>35,520</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	139,436	149,746
Unrestricted	204,968	260,804
<b>Total Net Position</b>	<b>\$ 344,404</b>	<b>\$ 410,550</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
With Comparative Amounts For December 31, 2019

	2020			2019 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<b><u>Sales</u></b>	\$ 1,133,992	\$ 1,289,600	\$ 155,608	\$ 1,243,244
<b><u>Cost of Sales</u></b>	(643,000)	(816,140)	(173,140)	(740,168)
<b><u>Gross Profit</u></b>	490,992	473,460	(17,532)	503,076
<b><u>Operating Expenses</u></b>				
Personnel Services	233,904	241,436	(7,532)	229,468
Utilities	35,850	38,952	(3,102)	34,476
Supplies and Materials	12,900	33,793	(20,893)	21,766
Advertising and Promotion	10,000	6,324	3,676	13,742
Repairs and Maintenance	40,000	39,219	781	7,599
Contracted Services	6,500	15,869	(9,369)	7,292
Insurance	19,500	19,968	(468)	18,800
Depreciation	-	20,872	(20,872)	15,727
Other Expenses	54,654	57,609	(2,955)	43,193
<b>Total Operating Expenses</b>	<b>413,308</b>	<b>474,042</b>	<b>(60,734)</b>	<b>392,063</b>
<b><u>Operating Income</u></b>	<b>77,684</b>	<b>(582)</b>	<b>(78,266)</b>	<b>111,013</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Income	3,000	3,400	400	4,666
Rental Income	7,500	7,817	317	9,879
<b>Total Non-Operating Revenues</b>	<b>10,500</b>	<b>11,217</b>	<b>717</b>	<b>14,545</b>
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<b>88,184</b>	<b>10,635</b>	<b>(77,549)</b>	<b>125,558</b>
<b><u>Operating Transfers</u></b>				
Transfer To Other Funds	(87,500)	(87,500)	-	(75,000)
Transfer From Other Funds	-	10,719	10,719	-
<b>Total Other Financing Sources (Uses)</b>	<b>(87,500)</b>	<b>(76,781)</b>	<b>10,719</b>	<b>(75,000)</b>
<b><u>Change in Net Position</u></b>	<b>684</b>	<b>(66,146)</b>	<b>(66,830)</b>	<b>50,558</b>
<b><u>Net Position, Beginning of Year</u></b>	<b>410,550</b>	<b>410,550</b>	<b>-</b>	<b>359,992</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 411,234</b>	<b>\$ 344,404</b>	<b>\$ (66,830)</b>	<b>\$ 410,550</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**  
With Comparative Amounts For December 31, 2019

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 1,284,955	\$ 1,238,577
Cash Paid to Employees	(237,276)	(216,623)
Cash Paid to Suppliers	(995,989)	(888,336)
Net Cash Provided by (Used in) Operating Activities	<u>51,690</u>	<u>133,618</u>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Transfers To Other Funds	(76,781)	(75,000)
Interfund Financing	(5,091)	(28,628)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(81,872)</u>	<u>(103,628)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Lease Proceeds	64,867	-
Principal Paid on Lease Proceeds	(7,153)	-
Purchase of Property and Equipment	(68,276)	(2,945)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(10,562)</u>	<u>(2,945)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Income	3,400	4,666
Rental Income	7,817	9,879
Net Cash Provided by (Used in) Investing Activities	<u>11,217</u>	<u>14,545</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>(29,527)</u>	<u>41,590</u>
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	<u>236,553</u>	<u>194,963</u>
<b><u>Cash and Cash Equivalents, End of Year</u></b>	<u>\$ 207,026</u>	<u>\$ 236,553</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

<b><u>Operating Income (Loss)</u></b>	\$ (582)	\$ 111,013
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash  Provided by (Used in) Operating Activities</u></b>		
Depreciation	20,872	15,727
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	(4,645)	(4,667)
(Increase) Decrease Inventory	18,374	(4,789)
(Increase) Decrease Deferred Outflows of Resources	(11,596)	15,137
Increase (Decrease) Accounts Payable	13,995	3,297
Increase (Decrease) Sales Tax Payable	(484)	192
Increase (Decrease) Accrued Salaries and Wages Payable	2,591	2,013
Increase (Decrease) Accrued Compensated Absences	5,169	3,958
Increase (Decrease) Deferred Inflows of Resources	(22,996)	2,601
Increase (Decrease) Net Pension Liability	30,992	(10,864)
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<u>\$ 51,690</u>	<u>\$ 133,618</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON**  
**AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN**  
**ACCORDANCE WITH THE MINNESOTA**  
**LEGAL COMPLIANCE AUDIT GUIDE FOR CITIES**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements, and have issued our report thereon dated April 26, 2021.

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

This 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.

*Miller McDonald, Inc.*

April 26, 2021  
Bemidji, Minnesota



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements and have issued our report thereon dated April 26, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Blackduck, Minnesota'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 of Blackduck, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Blackduck, Minnesota'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 entity'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.



## City of Blackduck, Minnesota

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Blackduck, Minnesota'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 of Blackduck, Minnesota's Response to Findings

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

### Purpose of this Report

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

*Miller McDonald, Inc.*

April 26, 2021  
Bemidji, Minnesota

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**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2020**

**I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Internal Control**

**Finding 2020-001: Preparation of Financial Statements**

**Condition**

The City's Auditor prepares the financial statements. This is not unusual in Cities of your size; however, the City's management and governance personnel should be aware that even though they assume responsibility for the financial statements they do not have effective controls to prevent, detect and correct misstatements in the financial statements, indicating a significant control deficiency.

**Criteria**

The City should have controls in place to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Effect**

The impact on the financial statements is that the potential exists that a material misstatement could exist in the financial statements.

**Cause**

The City has not adopted an internal control policy over the annual financial reporting under generally accepted accounting principles (GAAP), however, management has reviewed and approved the annual financial statements as prepared by the audit firm.

**Recommendation**

We recommend that management become knowledgeable in financial statement preparation so that management can prepare the financial statements for audit purposes. If management does not feel that it desires to obtain this knowledge and expertise then it should consider contracting with a third party accountant that would prepare year end adjusting entries to the financial records and also prepare the financial statements for audit purposes.

**Management's Response – Corrective Action Plan (CAP)**

**1. Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2020**

**2. Actions Planned in Response to Finding**

The City Council will continue to have the contracted auditor for the year prepare the financial statements. The City will consider internal control procedures consistent with those outlined above within the segregation of duties and with Council guidance (approval of policies and/or procedures). In addition, all financial statement review will be documented.

**3. Official Responsible for Ensuring CAP Implementation**

Christina Regas, City Administrator

**4. Planned Completion of CAP**

Ongoing

**5. Plan to Monitor Completion of CAP**

Documentation of annual review of financial statements will be filed with the Council's annual audit file.

**Finding 2020-002: Segregation of Accounting Duties**

**Condition**

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction. The following duties are not sufficiently segregated:

1. Accounts payable processing, check writing, payment and recording.
2. Payroll processing, check writing, check distribution and recording.
3. Cash receipting, depositing and recording.
4. Reconciling the monthly bank statement.

Together these functions create an opportunity for misappropriation of the City's assets and more than a remote likelihood of a material misstatement.

The City does mitigate control in accounts payable and payroll functions in that the Council, on a monthly basis, reviews the invoices and checks that are written.

**Criteria**

Proper segregation of duties mitigates the risk of misappropriation of assets.

**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2020**

**Effect**

The impact to the financial statements has not been determined.

**Cause**

The limited number of staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Council members remain involved in the financial affairs of the City to provide oversight and independent review functions.

**Recommendation**

We recommend that City management develops an accounting and internal control manual that would identify the specific duties of the accounting employees with internal controls and segregation of accounting duties in mind.

**Management's Response – Corrective Action Plan (CAP)**

**1. Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding**

No action is planned at this time. The City feels that the additional staffing costs would not be significantly beneficial. The City does mitigate this situation through oversight by the City Council.

**3. Official Responsible for Ensuring CAP Implementation**

N/A

**4. Planned Completion of CAP**

N/A

**5. Plan to Monitor Completion of CAP**

N/A