

CITY OF BLACKDUCK, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2021

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CITY OF BLACKDUCK, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2021
(Unaudited)

		<u>Term Expires</u>
Mayor	Maxwell Gullette	12/31/22
Council	Nicholas Seitz	12/31/24
	Donald Johnson	12/31/24
	BobbieJo Kewitsch	12/31/22
	Laurie Hamilton	12/31/22
Administrator	Christina Regas	Appointive

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of and for the year ended December 31, 2021, 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.

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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Blackduck, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 6 through 12 and accompanying required supplementary information on pages 57 through 77, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying supplementary information on pages 78 through 96, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, 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.

May 18, 2022
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 \$4,761,575. Of this amount, \$671,645 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 \$1,805,912. Of this total amount, approximately 47%, or \$849,707 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 \$148,586.
- Total outstanding long-term debt, including interfund debt, was \$2,181,060 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 \$1,687,000 or 77% 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 as net position. Over time, increases or decreases in net position may serve as a useful indicator of

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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, golf and parks. Business-type activities include municipal liquor and public utilities (water and sewer).

The government-wide financial statements can be found on pages 13 and 14 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 15 through 18 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 and public utility (water and sewer) services.

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 19 through 22 of this report.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 23 and 24 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 25 through 58 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 2021, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,761,575.

The largest portion of the City’s net position, 61%, 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	
	2021	(As Restated) 2020	2021	(As Restated) 2020	2021	2020
Assets:						
Current and Other Assets	\$ 4,183,780	\$ 1,847,117	\$ 4,238,776	\$ 1,396,452	\$ 8,422,556	\$ 3,243,569
Capital Assets, Net of Depreciation	-	1,634,454	-	2,238,256	-	3,872,710
Total Assets	4,183,780	3,481,571	4,238,776	3,634,708	8,422,556	7,116,279
Deferred Outflows of Resources	290,732	135,566	166,840	52,976	457,572	188,542
Liabilities:						
Long-Term Liabilities Outstanding	1,171,969	632,328	1,694,031	1,371,768	2,866,000	2,004,096
Other Liabilities	313,548	40,340	381,009	115,348	694,557	155,688
Total Liabilities	1,485,517	672,668	2,075,040	1,487,116	3,560,557	2,159,784
Deferred Inflows of Resources	375,458	147,204	182,538	21,916	557,996	169,120
Net Position:						
Net Investment in Capital Assets	1,636,673	1,132,863	1,236,040	1,179,335	2,872,713	2,312,198
Restricted	1,217,217	966,316	-	-	1,217,217	966,316
Unrestricted	(240,353)	698,086	911,998	999,317	671,645	1,697,403
Total Net Position	\$ 2,613,537	\$ 2,797,265	\$ 2,148,038	\$ 2,178,652	\$ 4,761,575	\$ 4,975,917

A portion of the City’s net position, approximately 26%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$671,645, may be used to meet the government’s ongoing obligations to citizens and creditors.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 decreased by \$183,728.

Business-type Activities – Net position of the City's business-type activities decreased by \$30,614.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2021	(As Restated) 2020	2021	(As Restated) 2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 286,178	\$ 230,157	\$ 1,848,741	\$ 1,702,912	\$ 2,134,919	\$ 1,933,069
Operating Grants and Contributions	258,486	136,307	-	-	258,486	136,307
Capital Grants and Contributions	128,347	-	-	6,994	128,347	6,994
General Revenues:						
Property Taxes and Special Assessments	353,734	334,082	8,156	8,862	361,890	342,944
Grants and aids Not Restricted for Specific Programs	331,152	383,872	-	-	331,152	383,872
Fines and Fees	435	428	-	-	435	428
Interest Income	14,214	18,792	3,599	14,505	17,813	33,297
Rental Income	-	-	9,591	7,817	9,591	7,817
Other	29,350	51,869	5,637	4,863	34,987	56,732
Total Revenues	1,401,896	1,155,507	1,875,724	1,745,953	3,277,620	2,901,460
Expenses:						
General Government	150,948	237,986	-	-	150,948	237,986
Public Safety	940,472	253,056	-	-	940,472	253,056
Streets and Highways	195,767	215,479	-	-	195,767	215,479
Economic Development	27,567	26,498	-	-	27,567	26,498
Culture and Recreation	313,824	220,430	-	-	313,824	220,430
Cemetery	7,107	6,149	-	-	7,107	6,149
Interest and Fiscal Fees	47,740	41,307	-	-	47,740	41,307
Municipal Water	-	-	255,455	266,188	255,455	266,188
Municipal Sewage Disposal	-	-	190,270	198,009	190,270	198,009
Municipal Liquor Store	-	-	1,385,613	1,290,182	1,385,613	1,290,182
Total Expenses	1,683,425	1,000,905	1,831,338	1,754,379	3,514,763	2,755,284
Increase (Decrease) in Net Position Before Transfers and Special Item	(281,529)	154,602	44,386	(8,426)	(237,143)	146,176
Transfers	75,000	84,785	(75,000)	(84,785)	-	-
Special Item - Gain on Sale of Asset	22,801	9,750	-	-	22,801	9,750
Special Item - Voluntary Return of Restricted Funds	-	(17,079)	-	-	-	(17,079)
Change in Net Position	(183,728)	232,058	(30,614)	(93,211)	(214,342)	138,847
Net Position, Beginning of Year (as restated)	2,797,265	2,565,207	2,178,652	2,271,863	4,975,917	4,837,070
Net Position, End of Year	\$2,613,537	\$2,797,265	\$2,148,038	\$2,178,652	\$4,761,575	\$4,975,917

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

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.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 2021 fiscal year, the City's governmental funds reported combined fund balances of \$1,805,912. Approximately 8% of this total amount, or \$148,586, 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 \$21,044, restricted use of \$935,161, and designated by the City of \$701,121. The restricted funds could be used for the following: \$147,518 for revolving loans; \$145,295 for debt repayment; \$465,746 for special equipment; \$122,859 for tax increment financing districts; \$21,193 for road maintenance; and \$32,550 for the Pine Tree Park.

Proprietary Funds - The City's proprietary fund statements found on pages 19 through 22 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 \$83,241, municipal sewage \$340,183, and municipal water \$466,255. Restricted net position in the municipal water fund was \$22,319 for repairs and maintenance. While total net position before operating transfers for the current year ended decreased in the municipal water fund, the total net position increased for the municipal sewage disposal fund and the municipal liquor store fund.

General Fund Budgetary Highlights

The City revised its 2021 budget once during the year to account for changes to the park project. The final 2021 budget for the General Fund anticipated revenues and other financing sources in excess of expenditures and other financing uses of \$9,999. Actual results for the General Fund for 2021 show expenditures and other financing uses in excess of revenues and other financing sources of \$39,251.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounts to \$4,984,442 (net of accumulated depreciation). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2021	(As Restated) 2020	2021	(As Restated) 2020	2021	2020
Land and Buildings	\$ 1,046,455	\$ 1,021,215	\$ 3,418,489	\$ 2,645,516	\$ 4,464,944	\$ 3,666,731
Furniture, Fixtures, and Equipm	1,694,037	1,427,121	162,038	149,116	1,856,075	1,576,237
Other Improvements	1,218,438	1,218,438	3,004,561	3,004,561	4,222,999	4,222,999
Construction in Progress	274,231	39,314	56,370	6,788	330,601	46,102
Less Accumulated Depreciation	(2,191,762)	(2,071,634)	(3,698,415)	(3,567,725)	(5,890,177)	(5,639,359)
Total	\$ 2,041,399	\$ 1,634,454	\$ 2,943,043	\$ 2,238,256	\$ 4,984,442	\$ 3,872,710

Additional information on the City's capital assets can be found in Note 2 on page 36 of this report.

Long Term Debt

At the end of the current fiscal year, the City had \$2,181,060 in bonds, notes and capital leases outstanding, including interfund debt. 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	
	2021	(As Restated) 2020	2021	(As Restated) 2020	2021	2020
General Obligation Bonds	\$ 55,000	\$ 68,000	\$ -	\$ -	\$ 55,000	\$ 68,000
G.O. Special Assessment Bonds	70,000	120,000	44,000	54,000	114,000	174,000
General Obligation Revenue Bonds	30,000	40,000	1,385,000	780,000	1,415,000	820,000
Capital Leases Payable	178,397	84,918	45,866	57,714	224,263	142,632
Notes Payable	175,154	152,772	197,643	216,806	372,797	369,578
Total	\$ 508,551	\$ 465,690	\$ 1,672,509	\$ 1,108,520	\$ 2,181,060	\$ 1,574,210

A total of \$254,038 was retired throughout the year. A more detailed breakdown of these obligations can be found in Note 2 on pages 37 through 40.

Economic Factors and Next Year's Budget and Rates

The City's elected officials and staff considered many factors when setting the fiscal year 2022 budget, rates, tax levy and fees, and as a result, the 2022 levy increased from 2021. Factors considered by the City included financial support for the 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.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,673,381	\$ 843,622	\$ 2,517,003
Accounts Receivable	5,747	62,065	67,812
Special Assessments Receivable	30,320	179,997	210,317
Internal Balances	(111,754)	111,754	-
Due from Other Governments	77,842	305	78,147
Notes Receivable	151,432	-	151,432
Delinquent Property Taxes Receivable	16,465	496	16,961
Inventory	-	85,347	85,347
Prepaid Expenses	21,044	12,147	33,191
Net Pension Asset	277,904	-	277,904
Capital Assets:			
Non-Depreciable Assets	810,165	95,857	906,022
Depreciable Capital Assets, Net of Depreciation	1,231,234	2,847,186	4,078,420
<u>Total Assets</u>	4,183,780	4,238,776	8,422,556
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to Pensions	275,099	166,840	441,939
Deferred Outflows of Resources Related to OPEB	15,633	-	15,633
<u>Total Deferred Outflows of Resources</u>	290,732	166,840	457,572
<u>LIABILITIES</u>			
Accounts Payable	31,340	143,988	175,328
Sales Tax Payable	-	14,311	14,311
Accrued Interest Payable	1,914	9,408	11,322
Accrued Salaries and Wages Payable	13,378	23,139	36,517
Due to Other Governments	23,402	-	23,402
Unearned Revenues	45,516	-	45,516
Noncurrent Liabilities			
Due Within One Year	112,464	88,386	200,850
Due in More Than One Year	304,700	1,605,645	1,910,345
Net Pension Liability - More Than One Year	197,998	190,163	388,161
OPEB Liability - More Than One Year	754,805	-	754,805
<u>Total Liabilities</u>	1,485,517	2,075,040	3,560,557
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to Pensions	375,458	182,538	557,996
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,636,673	1,236,040	2,872,713
Restricted for Economic Development	223,758	-	223,758
Restricted for Debt Service	148,551	-	148,551
Restricted for Capital Projects	486,939	-	486,939
Restricted for Pensions	323,721	-	323,721
Restricted for Other Purposes	34,248	-	34,248
Unrestricted	(240,353)	911,998	671,645
<u>Total Net Position</u>	\$ 2,613,537	\$ 2,148,038	\$ 4,761,575

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 150,948	\$ 8,986	\$ 3,000	\$ -	\$ (138,962)	\$ -	\$ (138,962)
Public Safety	940,472	83,760	226,506	128,347	(501,859)	-	(501,859)
Streets and Highways	195,767	-	-	-	(195,767)	-	(195,767)
Economic Development	27,567	-	-	-	(27,567)	-	(27,567)
Culture and Recreation	313,824	187,681	28,980	-	(97,163)	-	(97,163)
Cemetery	7,107	5,751	-	-	(1,356)	-	(1,356)
Interest and Fiscal Fees	47,740	-	-	-	(47,740)	-	(47,740)
Total Governmental Activities	1,683,425	286,178	258,486	128,347	(1,010,414)	-	(1,010,414)
BUSINESS-TYPE ACTIVITIES							
Municipal Water	255,455	220,340	-	-	-	(35,115)	(35,115)
Municipal Sewage Disposal	190,270	218,280	-	-	-	28,010	28,010
Municipal Liquor Store	1,385,613	1,410,121	-	-	-	24,508	24,508
Total Business-Type Activities	1,831,338	1,848,741	-	-	-	17,403	17,403
Total Primary Government	\$ 3,514,763	\$ 2,134,919	\$ 258,486	\$ 128,347	(1,010,414)	17,403	(993,011)
General Revenues:							
Property Taxes and Special Assessments					353,734	8,156	361,890
Grants and Aids Not Restricted for Specific Programs					331,152	-	331,152
Fines and Fees					435	-	435
Interest Income					14,214	3,599	17,813
Rental Income					-	9,591	9,591
Other					29,350	5,637	34,987
Special Item - Gain on Sale of Assets					22,801	-	22,801
Transfers In (Out)					75,000	(75,000)	-
Total General Revenues, Special Items, and Transfers					826,686	(48,017)	778,669
Change in Net Position					(183,728)	(30,614)	(214,342)
Net Position, Beginning of Year (as restated)					2,797,265	2,178,652	4,975,917
Net Position, End of Year					\$ 2,613,537	\$ 2,148,038	\$ 4,761,575

See Accompanying Notes to Financial Statements

CITY OF BLACKDUCK, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2021

	<u>General</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Revolving</u> <u>Loan Fund</u>	<u>Fire Dept</u> <u>Special</u> <u>Equipment</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>						
Cash	\$ 312,842	\$ -	\$ 202,621	\$ 465,746	\$ 692,172	\$ 1,673,381
Accounts Receivable	5,684	-	-	-	63	5,747
Due from Other Funds	55,733	-	-	-	-	55,733
Due from Other Governments	8,293	118	-	-	47,744	56,155
Notes Receivable	-	-	253,288	-	-	253,288
Delinquent Property Taxes Receivable	12,923	264	-	-	3,278	16,465
Special Assessments Receivable	-	-	-	-	30,320	30,320
Prepaid Expenses	16,510	2,622	-	-	1,912	21,044
<u>Total Assets</u>	<u>\$ 411,985</u>	<u>\$ 3,004</u>	<u>\$ 455,909</u>	<u>\$ 465,746</u>	<u>\$ 775,489</u>	<u>\$ 2,112,133</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>						
<u>AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 24,129	\$ 557	\$ -	\$ -	\$ 6,654	\$ 31,340
Accrued Salaries and Wages Payable	12,656	568	-	-	154	13,378
Due to Other Governments	1,715	-	-	-	-	1,715
Due to Other Funds	-	111,754	-	-	55,733	167,487
Unearned Revenues	45,516	-	-	-	-	45,516
<u>Total Liabilities</u>	<u>84,016</u>	<u>112,879</u>	<u>-</u>	<u>-</u>	<u>62,541</u>	<u>259,436</u>
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue	12,923	264	-	-	33,598	46,785
<u>Fund Balances</u>						
Nonspendable	16,510	2,622	-	-	1,912	21,044
Restricted	21,193	-	147,518	465,746	300,704	935,161
Committed	-	-	-	-	89,091	89,091
Assigned	-	-	308,391	-	303,639	612,030
Unassigned	277,343	(112,761)	-	-	(15,996)	148,586
<u>Total Fund Balances</u>	<u>315,046</u>	<u>(110,139)</u>	<u>455,909</u>	<u>465,746</u>	<u>679,350</u>	<u>1,805,912</u>
<u>Total Liabilities, Deferred Inflows of Resources</u>						
<u>and Fund Balances</u>	<u>\$ 411,985</u>	<u>\$ 3,004</u>	<u>\$ 455,909</u>	<u>\$ 465,746</u>	<u>\$ 775,489</u>	<u>\$ 2,112,133</u>

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, 2021

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,805,912

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	\$ 4,233,161	
Less Accumulated Depreciation	<u>(2,191,762)</u>	2,041,399

Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		46,785
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Inter-government receivable is reported in the governmental funds but are not in the governmental activities.		(101,856)
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Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		(12,438)
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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.		(1,357,529)
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(1,914)
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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	277,904	
Deferred Outflows of Resources	21,701	
Deferred Inflows of Resources	<u>(67,518)</u>	232,087

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

Deferred Outflows of Resources	269,031	
Deferred Inflows of Resources	<u>(307,940)</u>	<u>(38,909)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,613,537</u>
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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, 2021

	General Fund	Golf Fund	Revolving Loan Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes and Special Assessments	\$ 239,010	\$ 16,870	\$ -	\$ -	\$ 94,345	\$ 350,225
Licenses and Permits	810	-	-	-	-	810
Intergovernmental Revenues	350,042	-	-	128,347	17,780	496,169
Tax Increments	-	-	-	-	41,379	41,379
Charges for Services	91,936	158,700	-	-	32,369	283,005
Fines and Fees	435	-	-	-	-	435
Interest Income	117	-	9,924	1,305	2,108	13,454
Donations and Grants	3,000	-	-	185,000	-	188,000
Other	20,523	13,832	-	-	8,377	42,732
<u>Total Revenues</u>	<u>705,873</u>	<u>189,402</u>	<u>9,924</u>	<u>314,652</u>	<u>196,358</u>	<u>1,416,209</u>
<u>Expenditures</u>						
Current:						
General Government	191,213	-	-	-	-	191,213
Public Safety	220,766	-	-	-	-	220,766
Streets and Highways	139,291	-	-	-	-	139,291
Economic Development	-	-	2,377	-	10,190	12,567
Culture and Recreation	46,080	148,307	-	-	45,760	240,147
Cemetery	-	-	-	-	6,984	6,984
Capital Outlay	232,750	77,343	-	141,450	84,242	535,785
Debt Service:						
Principal	59,749	44,179	-	-	64,964	168,892
Interest and Fiscal Charges	2,484	3,354	-	-	40,378	46,216
<u>Total Expenditures</u>	<u>892,333</u>	<u>273,183</u>	<u>2,377</u>	<u>141,450</u>	<u>252,518</u>	<u>1,561,861</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(186,460)</u>	<u>(83,781)</u>	<u>7,547</u>	<u>173,202</u>	<u>(56,160)</u>	<u>(145,652)</u>
<u>Other Financing Sources (Uses)</u>						
Insurance Proceeds	-	415	-	-	-	415
Capital Lease Proceeds	89,367	75,578	-	-	-	164,945
Proceeds from the Sale of Assets	24,842	-	-	-	-	24,842
Proceeds from Long Term Debt	-	-	-	-	45,943	45,943
Operating Transfers In	65,000	10,000	-	-	32,000	107,000
Operating Transfers Out	(32,000)	-	-	-	-	(32,000)
<u>Total Other Financing Sources (Uses)</u>	<u>147,209</u>	<u>85,993</u>	<u>-</u>	<u>-</u>	<u>77,943</u>	<u>311,145</u>
<u>Net Change in Fund Balance</u>	<u>(39,251)</u>	<u>2,212</u>	<u>7,547</u>	<u>173,202</u>	<u>21,783</u>	<u>165,493</u>
<u>Fund Balances, Beginning of Year (as restated)</u>	<u>354,297</u>	<u>(112,351)</u>	<u>448,362</u>	<u>292,544</u>	<u>657,567</u>	<u>1,640,419</u>
<u>Fund Balances, End of Year</u>	<u>\$ 315,046</u>	<u>\$ (110,139)</u>	<u>\$ 455,909</u>	<u>\$ 465,746</u>	<u>\$ 679,350</u>	<u>\$ 1,805,912</u>

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, 2021

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 165,493

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	\$ 590,756	
Depreciation	<u>(181,806)</u>	408,950

Disposals of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,006)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (37,814)

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. 4,383

Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position. (210,888)

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:

General Obligation Bonds	23,000	
Special Assessment Bonds	50,000	
Other Debt	23,561	
Capital Lease	71,466	
Net Amortization of Bond Discount	<u>(1,025)</u>	167,002

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. 1,127

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

City and Fire Relief Pension Contributions	27,067	
OPEB Contributions	15,633	
Cost of Benefits Earned Net of Employee Contributions	<u>(722,675)</u>	<u>(679,975)</u>

CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES \$ (183,728)

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

	Business-Type Activities - Enterprise Funds			Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	2021	(As Restated) 2020
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 410,591	\$ 299,872	\$ 135,159	\$ 845,622	\$ 919,966
Accounts Receivable	22,322	23,199	14,544	60,065	57,758
Property Taxes Receivable	-	496	-	496	700
Special Assessments Receivable	113,145	66,852	-	179,997	201,481
Due from Other Governments	-	305	-	305	708
Inventory	-	-	85,347	85,347	87,723
Prepaid Expenses	1,464	2,843	7,840	12,147	12,147
Total Current Assets	547,522	393,567	242,890	1,183,979	1,280,483
Capital Assets					
Land and Buildings	-	2,289,673	1,128,815	3,418,488	2,645,516
Furniture, Fixtures and Equipment	7,740	18,027	136,271	162,038	149,116
Other Improvements	2,206,387	743,541	54,634	3,004,562	3,004,561
Construction in Progress	28,185	28,185	-	56,370	6,788
	2,242,312	3,079,426	1,319,720	6,641,458	5,805,981
Less: Accumulated Depreciation	(994,858)	(2,343,607)	(359,950)	(3,698,415)	(3,567,725)
Capital Assets, Net of Depreciation	1,247,454	735,819	959,770	2,943,043	2,238,256
Noncurrent Assets					
Due from Other Funds	-	-	111,754	111,754	115,969
Total Assets	1,794,976	1,129,386	1,314,414	4,238,776	3,634,708
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	30,086	32,821	103,933	166,840	52,976
LIABILITIES					
Current Liabilities					
Current Portion of Bonds and Leases Payable	49,000	27,000	12,386	88,386	89,848
Current Portion of Bonds Payable	-	-	-	-	-
Accounts Payable	4,696	1,663	137,629	143,988	79,722
Sales Tax Payable	285	-	14,026	14,311	10,660
Accrued Interest Payable	7,727	1,681	-	9,408	9,408
Accrued Salaries and Wages Payable	3,652	3,845	15,642	23,139	15,558
Total Current Liabilities	65,360	34,189	179,683	279,232	205,196
Long-Term Liabilities					
Bonds and Leases Payable, Net of Unamortized Bond Discount	886,647	83,644	695,866	1,666,157	1,101,680
Less: Current Portion	(49,000)	(27,000)	(12,386)	(88,386)	(89,848)
Compensated Absences	5,465	5,698	16,711	27,874	20,797
Net Pension Liability	34,292	37,409	118,462	190,163	249,291
Total Long-Term Liabilities	877,404	99,751	818,653	1,795,808	1,281,920
Total Liabilities	942,764	133,940	998,336	2,075,040	1,487,116
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	32,917	35,909	113,712	182,538	21,916
NET POSITION					
Net Investment in Capital Assets	360,807	652,175	223,058	1,236,040	1,136,576
Restricted	22,319	-	-	22,319	11,241
Unrestricted	466,255	340,183	83,241	889,679	1,030,835
Total Net Position	\$ 849,381	\$ 992,358	\$ 306,299	\$ 2,148,038	\$ 2,178,652

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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>(As Restated)</u>	
	<u>Water</u>	<u>Sewage</u>	<u>Liquor</u>		
	<u>Fund</u>	<u>Disposal</u>	<u>Store</u>	<u>2021</u>	<u>2020</u>
<u>Sales and Cost of Sales</u>					
Sales	\$ -	\$ -	\$ 1,389,213	\$1,389,213	\$1,289,600
Cost of Sales	-	-	(812,019)	(812,019)	(816,140)
Gross Profit	-	-	577,194	577,194	473,460
<u>Operating Revenues</u>	220,225	218,086	22,577	460,888	415,401
<u>Total Gross Profit and Operating Revenues</u>	220,225	218,086	599,771	1,038,082	888,861
<u>Operating Expenses</u>					
Personnel Services	86,141	90,364	316,669	493,174	429,019
Utilities	12,580	17,986	41,782	72,348	71,167
Supplies and Materials	16,998	5,621	33,766	56,385	42,217
Advertising and Printing	-	-	6,348	6,348	6,324
Repairs and Maintenance	7,352	15,758	5,700	28,810	55,743
Contracted Services	9,764	14,613	52,535	76,912	78,650
Insurance	4,494	7,978	19,748	32,220	31,712
Depreciation and Amortization	84,519	28,146	27,094	139,759	131,001
Other Expenses	14,299	6,592	67,492	88,383	71,219
Total Operating Expenses	236,147	187,058	571,134	994,339	917,052
<u>Operating Income (Loss)</u>	(15,922)	31,028	28,637	43,743	(28,191)
<u>Non-Operating Revenues (Expenses)</u>					
Interest Income	1,481	1,185	1,127	3,793	14,528
Rental Income	-	-	9,591	9,591	7,817
Intergovernmental Grants and Aids	-	-	-	-	6,994
Miscellaneous	1,593	2,490	-	4,083	3,623
Property Taxes	-	8,156	-	8,156	8,862
Interest Expense	(19,308)	(3,212)	(2,460)	(24,980)	(22,059)
Total Non-Operating Revenues (Expenses)	(16,234)	8,619	8,258	643	19,765
<u>Net Income (Loss) Before Operating Transfers</u>	(32,156)	39,647	36,895	44,386	(8,426)
<u>Operating Transfers</u>					
Transfer to Other Funds	-	-	(75,000)	(75,000)	(102,500)
Transfer from Other Funds	-	-	-	-	17,715
Total Operating Transfers	-	-	(75,000)	(75,000)	(84,785)
<u>Change in Net Position</u>	(32,156)	39,647	(38,105)	(30,614)	(93,211)
<u>Net Position, Beginning of Year (as restated)</u>	881,537	952,711	344,404	2,178,652	2,271,863
<u>Net Position, End of Year</u>	\$ 849,381	\$ 992,358	\$ 306,299	\$2,148,038	\$2,178,652

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal Water Fund</u>	<u>Municipal Sewage Disposal Fund</u>	<u>Municipal Liquor Store Fund</u>	<u>2021</u>	<u>(As Restated) 2020</u>
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$ 222,498	\$ 218,570	\$ 1,407,129	\$ 1,848,197	\$ 1,697,923
Cash Paid to Employees	(92,645)	(96,893)	(301,348)	(490,886)	(421,864)
Cash Paid to Suppliers	(67,527)	(72,046)	(1,004,405)	(1,143,978)	(1,134,165)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>62,326</u>	<u>49,631</u>	<u>101,376</u>	<u>213,333</u>	<u>141,894</u>
<u>Cash Flows from Non-Capital Financing Activities</u>					
Miscellaneous Revenue	1,592	2,490	-	4,082	3,623
Interfund Financing	-	-	4,215	4,215	(5,091)
Transfers To Other Funds	-	-	(75,000)	(75,000)	(91,781)
Transfers From Other Funds	-	-	-	-	6,996
<u>Net Cash Provided by (Used in) Non-Capital Financing Activities</u>	<u>1,592</u>	<u>2,490</u>	<u>(70,785)</u>	<u>(66,703)</u>	<u>(86,253)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Purchase of Property and Equipment	(27,172)	(27,171)	(748,868)	(803,211)	(84,127)
Principal Paid on Capital Leases Payable	-	-	(11,848)	(11,848)	(7,153)
Principal Paid on Bonds Payable	(48,163)	(26,000)	-	(74,163)	(78,000)
Grant Proceeds	-	-	-	-	6,994
Debt Proceeds	-	-	650,000	650,000	64,867
Property Taxes Proceeds	-	8,360	-	8,360	8,862
Special Assessment Proceeds	13,271	8,213	-	21,484	23,789
Interest and Fees Paid on Bonds	(19,308)	(3,212)	(2,460)	(24,980)	(22,059)
<u>Net Cash Provided by (Used in) Capital and Related Financing Activities</u>	<u>(81,372)</u>	<u>(39,810)</u>	<u>(113,176)</u>	<u>(234,358)</u>	<u>(86,827)</u>
<u>Cash Flows from Investing Activities</u>					
Interest Income	1,481	1,185	1,127	3,793	14,528
Rental Income	-	-	9,591	9,591	7,817
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>1,481</u>	<u>1,185</u>	<u>10,718</u>	<u>13,384</u>	<u>22,345</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(15,973)</u>	<u>13,496</u>	<u>(71,867)</u>	<u>(74,344)</u>	<u>(8,841)</u>
<u>Cash and Cash Equivalents, Beginning of Year, (as restated)</u>	<u>426,564</u>	<u>286,376</u>	<u>207,026</u>	<u>919,966</u>	<u>928,807</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 410,591</u>	<u>\$ 299,872</u>	<u>\$ 135,159</u>	<u>\$ 845,622</u>	<u>\$ 919,966</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For Year Ended December 31, 2020

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

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>(As restated)</u>	
	<u>Water</u>	<u>Sewage</u>	<u>Liquor</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Disposal</u>	<u>Store</u>		
		<u>Fund</u>	<u>Fund</u>		
<u>Operating Income (Loss)</u>	\$ (15,922)	\$ 31,028	\$ 28,637	\$ 43,743	\$ (28,191)
<u>Adjustments to Reconcile Operating</u>					
<u>Income (Loss) to Net Cash Provided by</u>					
<u>(Used in) Operating Activities</u>					
Depreciation and Amortization	84,519	28,146	27,094	139,759	131,001
Changes in Assets, Liabilities and Deferrals					
(Increase) Decrease in:					
Accounts Receivable	2,050	304	(4,661)	(2,307)	(7,078)
Due from Other Governments	223	180	-	403	-
Inventory	-	-	2,376	2,376	18,374
Deferred Outflows of Resources	(19,154)	(21,049)	(73,661)	(113,864)	(20,293)
Increase (Decrease) in:					
Accounts Payable	(2,029)	(3,498)	28,947	23,420	21,104
Sales Tax Payable	(11)	-	3,662	3,651	(471)
Accrued Salaries and Wages Payable	-	-	7,581	7,581	6,395
Accrued Compensated Absences	1,404	1,470	4,203	7,077	7,061
Deferred Inflows of Resources	28,395	31,039	101,188	160,622	(40,244)
Net Pension Liability	<u>(17,149)</u>	<u>(17,989)</u>	<u>(23,990)</u>	<u>(59,128)</u>	<u>54,236</u>
<u>Net Cash Provided by (Used in)</u>					
<u>Operating Activities</u>	<u>\$ 62,326</u>	<u>\$ 49,631</u>	<u>\$ 101,376</u>	<u>\$ 213,333</u>	<u>\$ 141,894</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

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, 2021

<u>Additions</u>	\$ -
<u>Deductions</u>	<u>-</u>
<u>Net Income (Loss)</u>	-
<u>Net Position, Beginning of Year</u>	<u>\$ 5,093</u>
<u>Net Position, End of Year</u>	<u>\$ 5,093</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021

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, 2021

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.

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

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.

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, 2021

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, 2021

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.) **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, 2021

5.) 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.

6.) 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 two items that qualify for reporting in this category. They are the deferred resources related to pensions and OPEB, 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	Golf Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 12,923	\$ 264	\$ 3,278	\$ 16,465
Special Assessments	-	-	30,320	30,320
Total	\$ 12,923	\$ 264	\$ 33,598	\$ 46,785

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

7.) 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 2021 the City's fund balance was 39%, which is in compliance with their fund balance policy.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

As of December 31, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Golf Fund</u>	<u>Revolving Loan Fund</u>	<u>Fire Dept Special Equipment</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Fund Balances:						
Nonspendable:						
Prepaid Expenses	\$ 16,510	\$ 2,622	\$ -	\$ -	\$ 1,912	\$ 21,044
Restricted:						
Pine Tree Park	-	-	-	-	32,550	32,550
Tax Increment Financing Distri	-	-	-	-	122,859	122,859
Economic Development	-	-	147,518	-	-	147,518
Debt Service	-	-	-	-	145,295	145,295
Road Maintenance	21,193	-	-	-	-	21,193
Equipment	-	-	-	465,746	-	465,746
Committed:						
Cemetery Perpetual Care Fund	-	-	-	-	64,000	64,000
Debt Service	-	-	-	-	25,091	25,091
Assigned:						
Cemetery Fund	-	-	-	-	2,030	2,030
Fire Hall Maintenance	-	-	-	-	288,722	288,722
Public Works Reserve	-	-	-	-	12,887	12,887
Economic Development	-	-	308,391	-	-	308,391
Unassigned:	<u>277,343</u>	<u>(112,761)</u>	<u>-</u>	<u>-</u>	<u>(15,996)</u>	<u>148,586</u>
Total	<u>\$ 315,046</u>	<u>\$(110,139)</u>	<u>\$ 455,909</u>	<u>\$ 465,746</u>	<u>\$ 679,350</u>	<u>\$1,805,912</u>

8.) 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.

9.) Accounting Changes and Reclassifications

During the year ended December 31, 2021, the City reclassified its Golf Fund as a governmental fund within governmental activities. The fund was previously reported as an enterprise fund. 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 10 to the financial statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021.

Restricted Deposits – The City has \$22,319 in deposits restricted for water repairs and maintenance.

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, 2021

The City has not adopted a formal investment policy. The City has not invested funds at December 31, 2021. All funds are held in depository 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, 2021.

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, 2021 are as follows:

<u>Note Dated</u>	<u>Authorized/ Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Special Revenue Fund:				
3/31/2009	\$ 25,000	1/1/2021	3.25%	\$ 20
12/7/2011	171,492	2/1/2022	0.00%	4,935
12/31/2015	54,837	1/1/2029	0.00%	41,490
5/18/2016	40,000	6/1/2023	0.00%	16,724
8/1/2019	5,500	8/1/2029	0.00%	2,005
8/1/2019	15,000	8/1/2029	5.50%	12,230
9/1/2019	32,000	11/1/2029	5.50%	27,119
8/1/2019	100,000	8/1/2029	5.50%	93,528
8/10/2020	11,389	8/10/2030	3.25%	10,237
8/10/2020	50,000	8/10/2030	0.00%	45,000
Total	\$ 505,218			\$ 253,288

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

F. Capital Assets

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance 12/31/2020	Additions	Disposals	Transfer	Balance 12/31/2021
<u>Governmental Activities</u>					
Non-Depreciable Capital Assets					
Land	\$ 411,434	\$ -	\$ -	\$ 124,500	\$ 535,934
Construction in Progress	39,314	234,917	-	-	274,231
Total Non-Depreciable Capital Assets	450,748	234,917	-	124,500	810,165
Depreciable Capital Assets					
Buildings	339,680	25,240	-	145,601	510,521
Furniture, Fixtures and Equipment	1,063,416	330,599	63,683	363,705	1,694,037
Other Improvements	1,218,438	-	-	-	1,218,438
Total Depreciable Capital Assets	2,621,534	355,839	63,683	509,306	3,422,996
Less Accumulated Depreciation	1,649,556	181,806	61,677	422,077	2,191,762
Depreciable Capital Assets, Net	971,977	174,033	2,006	87,229	1,231,234
Total Governmental Activities Capital Assets, Net	<u>\$ 1,422,725</u>	<u>\$ 408,950</u>	<u>\$ 2,006</u>	<u>\$ 211,729</u>	<u>\$ 2,041,399</u>
<u>Business-Type Activities</u>					
Non-Depreciable Capital Assets					
Land	\$ 163,987	\$ -	\$ -	\$ (124,500)	\$ 39,487
Construction in Progress	6,788	54,342	4,760	-	56,370
Total Non-Depreciable Capital Assets	170,775	54,342	4,760	(124,500)	95,857
Depreciable Capital Assets					
Buildings	2,751,630	772,973	-	(145,601)	3,379,002
Furniture, Fixtures and Equipment	512,821	21,502	8,580	(363,705)	162,038
Other Improvements	3,004,561	-	-	-	3,004,561
Total Depreciable Capital Assets	6,269,012	794,475	8,580	(509,306)	6,545,601
Less Accumulated Depreciation	3,989,802	139,270	8,580	(422,077)	3,698,415
Depreciable Capital Assets, Net	2,279,210	655,205	-	(87,229)	2,847,186
Total Business-Type Activities Capital Assets, Net	<u>\$ 2,449,985</u>	<u>\$ 709,547</u>	<u>\$ 4,760</u>	<u>\$ (211,729)</u>	<u>\$ 2,943,043</u>

For the year ended December 31, 2021, \$509,306 of capital assets and \$422,077 of accumulated depreciation related to the golf fund was transferred from business type into governmental activities.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

G. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2021:

	Balance 1/1/21	Issues	Payments	Balance 12/31/21
General Long-Term Debt:				
General Obligation Special Assessment Bonds:				
G.O. Refunding Bonds, Series 2009A	\$ 45,000	\$ -	\$ 15,000	\$ 30,000
G.O. Bonds, Series 2006A	75,000	-	35,000	40,000
General Obligation Revenue Bonds:				
2012A Equipment Bond	12,000	-	3,000	9,000
2012A Club House Refunded Bond	28,000	-	7,000	21,000
General Obligation Bond:				
2016 G.O. Equipment Certificate	68,000	-	13,000	55,000
Note Payable:				
Industrial Lane Internal Note*	14,948	-	9,967	4,981
Frontage Road Improvements Note*	46,635	-	4,997	41,638
USDA Loan	30,000	-	2,645	27,355
DEED Demolition Loan	-	45,943	-	45,943
Golf Course Shed - Storefront Rehab*	50,000	-	5,000	45,000
Golf Course Shed - Commercial Development*	11,189	-	952	10,237
Total General Long-Term Debt	380,772	45,943	96,561	330,154
Less: Unamortized Bond Discount	2,994	-	1,025	1,969
Total Net General Long-Term Debt	377,778	45,943	95,536	328,185
Capital Lease Payable (See Note 2, Section "H.):				
Ziegler CAT	76,823	-	8,954	67,869
GM Financial	8,095	-	8,095	-
GM Financial	-	89,367	38,238	51,129
TCF Bank - Golf Carts	-	75,578	16,179	59,399
Total Net Capital Lease Payable	84,918	164,945	71,466	178,397
Other Long-Term Liabilities:				
Compensated Absences	16,821	-	4,383	12,438
Total Governmental Activities	\$ 479,517	\$ 210,888	\$ 171,385	\$ 519,020
Proprietary Fund Debt:				
General Obligation Revenue Bonds:				
G.O. Refunding Bonds, Series 2012A	\$ 780,000	\$ -	\$ 45,000	\$ 735,000
G.O. Tax Abatement Bond 2021A	-	650,000	-	650,000
General Obligation Special Assessment Bonds:				
G.O. Disposal System Bonds, Series 2014A	54,000	-	10,000	44,000
Note Payable:				
2017 G.O. Disposal System Note	55,643	-	16,000	39,643
2016 G.O. Water Revenue Note	161,163	-	3,163	158,000
Total Net Proprietary Fund Long-Term Debt	1,050,806	650,000	74,163	1,626,643
Less: Unamortized Bond Discount	6,840	-	488	6,352
Total Net Proprietary Fund Long-Term Debt	1,043,966	650,000	73,675	1,620,291
Capital Lease Payable (See Note 2, Section "H.):				
TCF Bank	57,714	-	11,848	45,866
Other Long-Term Liabilities:				
Compensated Absences	20,797	7,487	410	27,874
Total Proprietary Activities	\$ 1,122,477	\$ 657,487	\$ 85,933	\$ 1,694,031

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

CITY OF BLACKDUCK, MINNESOTA
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City indebtedness at December 31, 2021 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Authorized and Issued	Balance 12/31/2021	Amounts Due in 2021	
						Principal	Interest
General Obligation Issues:							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	\$ 93,000	\$ 55,000	\$ 13,000	\$ 1,213
Special Assessment Bonds with Governmental Commitment:							
G.O. Bonds, Series 2006A	4.100-4.650	8/17/2006	2/1/2022	\$ 495,000	\$ 40,000	\$ 40,000	\$ 930
G.O. Refunding Bonds, Series 2009A	3.000-4.250	12/28/2009	1/1/2024	445,000	30,000	15,000	1,556
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	105,000	44,000	10,000	1,170
Less: Unamortized Discount				-	1,969	-	-
Total Net Special Assessment Bonds				\$ 1,045,000	\$ 112,031	\$ 65,000	\$ 3,656
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 735,000	\$ 45,000	\$ 16,298
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	9,000	3,000	144
2012A Club House Refunded	.750-2.550	12/27/2012	2/1/2035	65,000	21,000	7,000	336
G.O. Tax Abatement Bonds, Series 2021A	.750-2.550	5/27/2021	2/1/2030	650,000	650,000	-	12,767
Less: Unamortized Discount				-	6,352	-	-
Total G. O. Revenue Bonds				\$ 1,815,000	\$ 1,408,648	\$ 55,000	\$ 29,545
Notes Payable:							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 39,643	\$ 17,000	\$ 919
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2046	148,293	158,000	4,000	1,580
Industrial Lane Internal Note	0.000	12/7/2011	2/1/2022	171,492	4,981	4,981	-
Frontage Road Improvements Note	0.000	12/31/2015	1/1/2029	54,837	41,638	5,149	1,240
USDA Loan	2.375	4/6/2020	4/6/2030	30,000	27,355	2,749	656
Golf Course Shed - Storefront Rehab	0.000	8/10/2020	8/10/2030	50,000	45,000	5,000	-
Golf Course Shed - Commercial Development	3.250	8/10/2020	8/10/2030	11,389	10,237	983	325
DEED Demolition Loan	2.000	3/26/2021	3/26/2026	45,943	45,943	-	-
Total Notes Payable				\$ 691,954	\$ 372,797	\$ 39,862	\$ 4,720
Capital Lease Payable:							
Ziegler CAT	4.800	2/15/2021	2/15/2025	\$ 76,823	\$ 67,869	\$ 7,565	\$ 3,258
TCF Bank	4.490	1/1/2020	1/1/2025	64,867	45,866	12,386	1,922
GM Financial	4.457	1/5/2021	1/5/2025	89,367	51,129	11,959	2,279
TCF Bank - Golf Carts	4.500	7/22/2021	7/22/2026	65,578	59,399	12,191	2,479
Total Capital Lease Payable				\$ 335,255	\$ 224,263	\$ 44,101	\$ 9,938

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.

On May 10, 2021, the City adopted a resolution authorizing the issuance of bonds in the principal amount of \$1,655,000 with USDA Rural Development for the purpose of a combined maintenance and police facility. At December 31, 2021 the City has not drawn funds related to the bonds.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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The annual requirements to amortize long-term debt outstanding at December 31, 2021, including interest are as follows:

Year Ending December 31,	G.O. Bonds		G.O. Special Assessment Bonds		G.O. Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 13,000	\$ 1,213	\$ 65,000	\$ 3,656	\$ 55,000	\$ 29,545	\$ 39,862	\$ 4,720
2023	14,000	875	26,000	1,493	85,000	26,463	35,133	3,925
2024	14,000	525	11,000	525	85,000	25,060	26,258	4,652
2025	14,000	175	12,000	180	80,000	23,628	22,397	3,744
2026	-	-	-	-	410,000	96,571	22,729	2,305
2027-2031	-	-	-	-	450,000	52,005	96,030	11,192
2032-2036	-	-	-	-	175,000	16,250	46,368	6,284
2037-2041	-	-	-	-	75,000	1,550	44,020	3,302
2042-2046	-	-	-	-	-	-	40,000	1,200
Totals	<u>\$ 55,000</u>	<u>\$ 2,788</u>	<u>\$ 114,000</u>	<u>\$ 5,854</u>	<u>\$ 1,415,000</u>	<u>\$ 271,072</u>	<u>\$ 372,797</u>	<u>\$ 41,324</u>

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 2023.

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, 2021. Future tax levies for all bonds outstanding at December 31, 2021 totaled \$873,069. The amount bonds and capital lease outstanding with interest are to be paid with pledged revenues totaling \$1,171,541. 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 2021 is computed as follows:

Market Value	\$33,494,300
Debt Limit Percentage	<u>3%</u>
Debt Limit	\$ 1,004,154
Amount of debt applicable to debt limit:	
Total Bonded Debt	\$2,087,123
Less: Exempt Bonded Debt:	<u>1,687,000</u>
Total Debt Applicable to Debt Limit	<u>400,123</u>
Legal Debt Margin	<u>\$ 604,031</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ 57,714	\$ -	\$ 11,848	\$ 45,866	\$ 12,386	\$ 1,922
Ziegler CAT	76,823	-	8,954	67,869	7,565	3,258
GM Financial	8,095	-	8,095	-	-	-
GM Financial	-	89,367	38,238	51,129	11,959	2,279
TCF Bank	-	75,578	16,179	59,399	12,191	2,479
Totals	\$ 142,632	\$ 164,945	\$ 83,314	\$ 224,263	\$ 44,101	\$ 9,938

The City's capital lease assets total \$345,871 with accumulated depreciation of \$103,239.

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, 2021 are as follows:

<u>Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 44,101	\$ 9,938	\$ 54,039
2023	46,118	7,920	54,038
2024	48,229	5,809	54,038
2025	78,644	3,777	82,421
2026	7,171	162	7,333
Total	\$ 224,263	\$ 27,606	\$ 251,869

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, 2021

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:

Governmental Activities:	
General Government	\$ 5,563
Public Safety	33,580
Streets and Highways	67,699
Culture and Recreation	49,774
Economic Development	25,190
Total Governmental Activities Depreciation Expense	<u>\$ 181,806</u>
 Business-Type Activities:	
Municipal Sewage Disposal	\$ 28,146
Municipal Water	84,030
Municipal Liquor Store	27,094
Total Business-Type Activities Depreciation Expense	<u>\$ 139,270</u>

CITY OF BLACKDUCK, MINNESOTA
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DECEMBER 31, 2021

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.

CITY OF BLACKDUCK, MINNESOTA
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Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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 2021 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, 2021 were \$42,307. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$15,119. The City's contributions were equal to the required contributions as set by state statute.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$311,743 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$9,491.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportion was .0073% at the end of the measurement period and .0066% for the beginning of the period.

City’s proportionate share of net pension liability	\$311,743
State of Minnesota’s proportionate share of net pension liability associated with the City	<u>9,491</u>
Total	<u><u>\$321,234</u></u>

For the year ended December 31, 2021 the City recognized pension expense of \$416,299 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$766 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,470	\$ 9,434
Changes in actuarial assumptions	190,344	5,935
Difference between projected and actual investment earnings	-	274,164
Changes in proportion	59,120	9,709
Contributions paid to PERA subsequent to the measurement date	<u>22,574</u>	<u>-</u>
Total	<u><u>\$ 273,508</u></u>	<u><u>\$ 299,242</u></u>

CITY OF BLACKDUCK, MINNESOTA
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The \$22,574 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December	Pension Expense
2022	\$ 532
2023	17,748
2024	7,050
2025	(73,638)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$76,418 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was .0099% at the end of the measurement period and .0098% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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 supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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, 2021, the City recognized pension expense of \$124,256 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized an additional \$933 as pension expense (and grant revenue) for its proportionate share of the

CITY OF BLACKDUCK, MINNESOTA
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State of Minnesota’s contribution of \$9 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 supplemental aid. The City recognized \$629 for the year ended December 31, 2021 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, 2021, 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	\$ 14,410	\$ -
Changes in actuarial assumptions	112,314	30,717
Difference between projected and actual investment earnings	-	145,720
Changes in proportion	15,513	14,799
Contributions paid to PERA subsequent to the measurement date	4,493	-
Total	\$ 146,730	\$ 191,236

The \$4,493 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December	Pension Expense
2022	\$ (47,324)
2023	(3,465)
2024	(7,778)
2025	(15,238)
2026	24,806

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an

CITY OF BLACKDUCK, MINNESOTA
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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	33.5%	5.10%
International Stocks	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

CITY OF BLACKDUCK, MINNESOTA
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The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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

CITY OF BLACKDUCK, MINNESOTA
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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>				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 635,796	5.50%	\$ 242,613
Current Discount Rate	6.50%	311,743	6.50%	74,618
1% Higher	7.50%	45,837	7.50%	(59,821)

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.

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*.

CITY OF BLACKDUCK, MINNESOTA
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C. Employees Covered by Benefit Terms

At December 31, 2021, 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>

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$21,687 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

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-2019, from a base year of 2006.

CITY OF BLACKDUCK, MINNESOTA
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Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 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-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

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:

<u>Asset Class</u>	<u>Assumed Target Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of</u>
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%
Total	100.00%		6.63%
Reduced for assumed investment expense			-0.50%
Net Assumed Investment Return			6.25%

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.

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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, 2020	\$ 225,921	\$ 433,492	\$ (207,571)
Changes for the year:			
Service Cost	9,352	-	9,352
Interest Cost	13,998	-	13,998
Contributions - State and Local	-	21,824	(21,824)
Benefit Payments	(22,600)	(22,600)	-
Net Investment Income	-	73,658	(73,658)
Administrative Expense	-	(1,799)	1,799
Net Changes	750	71,083	(70,333)
Balance at December 31, 2021	\$ 226,671	\$ 504,575	\$ (277,904)

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:

	1% Point Decrease (5.25%)	Current Discount Rate (6.25%)	1% Point Increase (7.25%)
Total Pension Liability	\$ 231,724	\$ 226,671	\$ 221,783
Plan Fiduciary Net Position	504,575	504,575	504,575
Net Pension Liability (Asset)	(272,851)	(277,904)	(282,792)

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, 2021, The City recognized pension expense of \$22,233. At December 31, 2021, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 60,938
Difference between expected and actual liability	-	6,580
Change in Assumptions	14	-
Contributions to the plan subsequent to the measurement date	<u>21,687</u>	<u>-</u>
Total	<u>\$ 21,701</u>	<u>\$ 67,518</u>

\$21,687 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending:</u>	
2022	\$ (20,490)
2023	(13,747)
2024	(20,138)
2025	(10,283)
2026	(930)
Thereafter	(1,916)

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	\$ 311,743	\$ 76,418	\$ -	\$ 388,161
Net Pension Asset	-	-	277,904	277,904
Deferred Outflows of Resources	273,508	146,730	21,701	441,939
Deferred Inflows of Resources	299,242	191,236	67,518	557,996
Pension Expense	416,299	124,256	(22,233)	518,322

Note 5 – Other Post-Employment Benefits

Plan Description

The City operates the City of Blackduck, Minnesota Other Post-Employment Benefit Plan, a single-employer retiree defined benefit plan for health insurance in which retiring employees and their spouse may participate. Retiring employees are eligible to participate only if they are a participant in the City’s health insurance at the time of retirement. If a

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

retiree chooses to drop their participation in the plan they cannot re-enroll back with the City’s health plan. Upon the death of a retiree, the retiree’s spouse can continue participation only if the spouse was covered under the plan at the time of the retiree’s death. There are 7 active plan participants, and 1 retiree plan participant. The Plan does not issue a publicly available financial report.

Contributions

The required contribution is based on pay-as-you-go financing requirements.

Total OPEB Liability

The City’s total OPEB liability was determined by using the Alternative Measurement Method (AMM) valuation as of December 31, 2020.

Assumptions – Assumptions used in the December 31, 2020 AMM valuation were based on assumptions for General and Police & Fire Employees used in the July 1, 2021 PERA of Minnesota Retirement Plan actuarial valuations. The total OPEB liability in the December 31, 2020 AMM valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	2.00%
Inflation	2.25%
Healthcare Cost Trend Rate	6.70% as of January 1, 2021 gradually decreasing over several decades to an ultimate rate of 3.70% in FY2074 and later years

Mortality rates were based on the Pub-2010 General and Public Safety mortality tables with projected mortality improvements based on scale MP-2020 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

Discount Rate – The discount rate used to measure the total OPEB liability was 2.00%.

Changes in the Total OPEB Liability

Changes in the City’s total OPEB liability were as follows:

	Total OPEB Liability
Balances at December 31, 2020	\$ -
Changes for the year:	
Difference between Expected and Actual Experience	<u>754,805</u>
Balances at December 31, 2021	<u><u>\$ 754,805</u></u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – the following presents the City’s total OPEB liability, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current discount rate.

	<u>1% Decrease (1.00%)</u>		<u>Current Discount Rate (2.00%)</u>		<u>1% Increase (3.00%)</u>
Total OPEB Liability	\$ 903,669	\$	754,805	\$	636,533

Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rates – the following presents the City’s total OPEB liability, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.70% decreasing to 2.70%) or one percentage point higher (7.70% decreasing to 4.70%) than the current healthcare cost trend rates:

	<u>1% Decrease (5.70% decreasing to 2.70%)</u>		<u>Healthcare Cost Trend Rates (6.70% decreasing to 3.70%)</u>		<u>1% Increase (7.70% decreasing to 4.70%)</u>
Total OPEB Liability	\$ 641,486	\$	754,805	\$	893,416

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the City recognized OPEB expense of \$739,172.

The City reported deferred outflows of resources related to pensions, \$15,633, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Note 6 – Interfund Balances and Transfers

As of December 31, 2021, the City had interfund balances to eliminate cash deficits in the Golf Course and Downtown Development Fund.

		<u>Due from Other Funds</u>		
		<u>General Fund</u>	<u>Municipal Liquor Store Fund</u>	<u>Total</u>
Due to Other Funds	Interfund Balances			
	Golf Course	\$ -	\$ 111,754	\$ 111,754
	Nonmajor Governmental Funds: Downtown Development Fund	55,733	-	55,733
	Total Interfund Balances	\$ 55,733	\$ 111,754	\$ 167,487

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

The City of Blackduck, Minnesota made the following transfers between funds during 2021 as follows:

		Transfer Out		
		General Fund	Municipal Liquor Store Fund	Total
Transfer In	Operating Transfers			
	General Fund	\$ -	\$ 65,000	\$ 65,000
	Golf Course	-	10,000	10,000
	Nonmajor Governmental Funds	32,000	-	32,000
	Total Transfers	<u>\$ 32,000</u>	<u>\$ 75,000</u>	<u>\$ 107,000</u>

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 7 – 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 8 – Stewardship, Compliance and Accountability

A. Expenditures in Excess of Budget

Actual expenditures exceeded budget in the General Fund by \$217,584 for the year ended December 31, 2021. The excess expenditures were necessary and covered by available fund balance.

B. Deficit Fund Equity

The following net position deficit exists as of December 31, 2021:

Downtown Development Fund \$15,996

The deficit balance in the Downtown Development Fund is primarily the result of expenditures for the project exceeding funding in the current year.

Note 9 – Commitments and Contingencies

Subsequent to year end, the City entered into a construction contract for the combined maintenance and police facility. Estimated project costs for the facility total \$2,064,000, the majority of which will be funded through a USDA loan of no more than \$1,965,000.

Note 10 – Change in Reporting Entity

As a result of the review of the activity in the City’s enterprise funds, the City determined activity related to the Golf Fund should be presented as a major governmental fund. The effect of the reclassification caused a restatement of beginning fund balance as follows:

	Governmental Activities	Business-Type Activities	Municipal Golf Course Fund	Golf Fund
Beginning Fund Balance/Net Position	\$ 2,898,977	\$ 2,076,940	\$ (101,712)	\$ -
Fund Reclassification	(101,712)	101,712	101,712	(112,351)
Beginning Fund Balance/Net Position (as restat	\$ 2,797,265	\$ 2,178,652	\$ -	\$ (112,351)

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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	2021			2020 Actual
	Original and Final Budget	Actual	Variance- Positive (Negative)	
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 232,448	\$ 239,010	\$ 6,562	\$ 231,488
<u>Licenses and Permits</u>	3,750	810	(2,940)	14,435
<u>Intergovernmental Revenues</u>				
<u>Federal</u>				
Other Federal Revenue	-	30,441	30,441	113,286
<u>State</u>				
Local Government Aids	278,534	278,534	-	269,305
Market Value Credit	-	55	55	51
Police Aids	16,500	19,819	3,319	20,089
Fire Aid	19,000	-	(19,000)	40,633
Other State Aid	-	21,193	21,193	-
Total Intergovernmental Revenues	314,034	350,042	36,008	443,364
<u>Charges for Services</u>				
Rural Fire Contracts	83,760	83,760	-	78,627
Other	8,000	8,176	176	9,320
Total Charges for Services	91,760	91,936	176	87,947
<u>Fines and Fees</u>	1,600	435	(1,165)	428
<u>Interest Income</u>	2,500	117	(2,383)	2,360
<u>Other</u>				
Reimbursements	250	20,458	20,208	11,957
Donations	-	3,000	3,000	-
Other	2,000	65	(1,935)	1,351
Total Other	2,250	23,523	21,273	13,308
<u>Total Revenues</u>	648,342	705,873	57,531	793,330

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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>2021</u>		Variance- Positive (Negative)	<u>2020</u> Actual
	Original and Final Budget	Actual		
<u>Expenditures</u>				
<u>General Government</u>				
<u>Mayor and Council</u>				
Personal Services	7,324	10,878	(3,554)	6,701
Materials and Supplies	3,200	908	2,292	2,616
Other Expenditures	150	49	101	46
Total Mayor and Council	<u>10,674</u>	<u>11,835</u>	<u>(1,161)</u>	<u>9,363</u>
 <u>Administration</u>				
Personal Services	98,151	95,801	2,350	89,437
Materials and Supplies	4,100	10,080	(5,980)	7,330
Purchased Services	20,420	27,070	(6,650)	35,612
Other Expenditures	8,140	12,029	(3,889)	32,171
Debt Service - Principal	5,406	4,462	944	1,958
Total Administration	<u>136,217</u>	<u>149,442</u>	<u>(13,225)</u>	<u>166,508</u>
 <u>Planning/Zoning</u>				
Purchased Services	-	1,541	(1,541)	10,728
 <u>Government Buildings</u>				
Materials and Supplies	900	2,453	(1,553)	1,136
Repairs and Maintenance	5,000	24,432	(19,432)	5,035
Purchased Services	9,117	5,972	3,145	9,440
Total Government Buildings	<u>15,017</u>	<u>32,857</u>	<u>(17,840)</u>	<u>15,611</u>
Total General Government	<u>161,908</u>	<u>195,675</u>	<u>(33,767)</u>	<u>202,210</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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>2021</u>			<u>2020</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Public Safety</u>				
<u>Law Enforcement</u>				
Personal Services	168,072	112,615	55,457	163,185
Materials and Supplies	12,250	14,988	(2,738)	13,779
Repairs and Maintenance	3,500	1,979	1,521	2,334
Purchased Services	18,025	26,334	(8,309)	21,434
Other Expenditures	4,800	2,655	2,145	4,977
Capital Outlay	-	45,194	(45,194)	-
Total Law Enforcement	206,647	203,765	2,882	205,709
<u>Fire</u>				
Personal Services	14,600	13,858	742	12,775
Materials and Supplies	13,600	22,196	(8,596)	11,354
Repair and Maintenance	16,000	9,578	6,422	11,577
Purchased Services	18,950	16,563	2,387	20,512
Other Expenditures	21,750	-	21,750	42,960
Capital Outlay	6,000	1,000	5,000	1,000
Total Fire	90,900	63,195	27,705	100,178
Total Public Safety	297,547	266,960	30,587	305,887
<u>Streets and Highways</u>				
<u>Street Maintenance</u>				
Personal Services	72,178	72,245	(67)	72,752
Materials and Supplies	36,175	22,421	13,754	51,995
Repair and Maintenance	6,700	5,753	947	7,620
Purchased Services	14,168	19,605	(5,437)	18,053
Other Expenditures	2,800	2,360	440	3,009
Capital Outlay	25,729	140,202	(114,473)	200,308
Debt Service - Principal	-	55,287	(55,287)	7,705
Debt Service - Interest and Fiscal Fees	-	2,484	(2,484)	1,195
Total Street Maintenance	157,750	320,357	(162,607)	362,637

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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>2021</u>			<u>2020</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	5,003	(1,503)	4,654
Repairs and Maintenance	1,000	1,000	-	1,000
Purchased Services	8,000	10,904	(2,904)	8,209
Total Street Lighting	12,500	16,907	(4,407)	13,863
Total Streets and Highways	170,250	337,264	(167,014)	376,500
<u>Culture and Recreation</u>				
<u>Parks and Recreation</u>				
Personal Services	8,222	9,043	(821)	9,073
Materials and Supplies	3,450	4,239	(789)	4,076
Repairs and Maintenance	1,800	1,812	(12)	773
Purchased Services	5,681	7,395	(1,714)	7,518
Capital Outlay	2,350	46,354	(44,004)	2,141
Total Parks and Recreation	21,503	68,843	(47,340)	23,581
<u>Library</u>				
Materials and Supplies	310	1,730	(1,420)	547
Repairs and Maintenance	2,281	1,357	924	1,372
Purchased Services	20,950	20,504	446	21,272
Total Library	23,541	23,591	(50)	23,191
Total Culture and Recreation	45,044	92,434	(47,390)	46,772
<u>Total Expenditures</u>	674,749	892,333	(217,584)	931,369
<u>Excess of Revenues Over (Under) Expenditures</u>	(26,407)	(186,460)	(160,053)	(138,039)

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, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>2021</u>			<u>2020</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
Capital Lease Proceeds	-	89,367	89,367	76,823
Note Proceeds	-	-	-	30,000
Gain on Sale of Assets	-	24,842	24,842	9,750
Operating Transfer In	68,406	65,000	(3,406)	94,613
Operating Transfer (Out)	(32,000)	(32,000)	-	(53,876)
<u>Total Other Financing Sources (Uses)</u>	<u>36,406</u>	<u>147,209</u>	<u>110,803</u>	<u>158,898</u>
<u>Net Change in Fund Balance</u>	9,999	(39,251)	(49,250)	20,859
<u>Fund Balances, Beginning of Year</u>	<u>354,297</u>	<u>354,297</u>	<u>-</u>	<u>333,438</u>
<u>Fund Balances, End of Year</u>	<u>\$ 364,296</u>	<u>\$ 315,046</u>	<u>\$ (49,250)</u>	<u>\$ 354,297</u>

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
GOLF FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For Year Ended December 31, 2020

	<u>2021</u>			<u>2020</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 16,958	\$ 16,870	\$ (88)	\$ 17,188
<u>Charges for Services</u>				
	112,900	158,700	45,800	106,721
<u>Other</u>				
	-	13,832	13,832	5,277
<u>Total Revenues</u>	<u>129,858</u>	<u>189,402</u>	<u>59,544</u>	<u>129,186</u>
<u>Expenditures</u>				
<u>Culture and Recreation</u>				
Current	119,569	148,307	(28,738)	120,235
Capital Outlay	6,118	77,343	(71,225)	61,389
Total Culture and Recreation	<u>125,687</u>	<u>225,650</u>	<u>(99,963)</u>	<u>181,624</u>
<u>Debt Service</u>				
Principal	23,000	44,179	(21,179)	23,200
Interest and Fiscal Charges	2,198	3,354	(1,156)	2,676
Total Debt Service	<u>25,198</u>	<u>47,533</u>	<u>(22,335)</u>	<u>25,876</u>
<u>Total Expenditures</u>	<u>150,885</u>	<u>273,183</u>	<u>(122,298)</u>	<u>207,500</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(21,027)</u>	<u>(83,781)</u>	<u>181,842</u>	<u>(78,314)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	-	415	415	-
Debt Proceeds	-	75,578	75,578	61,389
Operating Transfer In	10,000	10,000	-	13,615
<u>Total Other Financing Sources (Uses)</u>	<u>10,000</u>	<u>85,993</u>	<u>75,993</u>	<u>75,004</u>
<u>Net Change in Fund Balance</u>	<u>(11,027)</u>	<u>2,212</u>	<u>257,835</u>	<u>(3,310)</u>
<u>Fund Balances, Beginning of Year (as restated)</u>	<u>(112,351)</u>	<u>(112,351)</u>	<u>-</u>	<u>(109,041)</u>
<u>Fund Balances, End of Year</u>	<u>\$ (123,378)</u>	<u>\$ (110,139)</u>	<u>\$ 257,835</u>	<u>\$ (112,351)</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, 2021

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
General Employees Plan:							
2021	0.0073%	\$ 311,743	\$ 9,491	\$ 321,234	\$ 523,482	59.55%	87.0%
2020	0.0066%	395,700	12,196	407,896	467,533	84.64%	79.1%
2019	0.0056%	309,611	9,666	319,277	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%
Police and Fire Plan:							
2021	0.0099%	76,418	-	76,418	117,454	65.06%	93.7%
2020	0.0098%	129,174	-	129,174	110,692	116.70%	87.2%
2019	0.0100%	106,460	-	106,460	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, 2021

Last 10 Fiscal Years*

For the Year Ended December 31:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<u>General Employees Plan:</u>					
2021	\$ 42,307	\$ 42,307	\$ -	\$ 564,099	7.50%
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%
<u>Police and Fire Plan:</u>					
2021	15,119	15,119	-	85,417	17.70%
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, 2021

Last 10 Fiscal Years*

<u>For the Year Ended December 31:</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability (Asset):				
Service Cost	\$ 9,352	\$ 9,396	\$ 9,167	\$ 8,943
Interest Cost	13,998	13,785	12,596	11,491
Differences between expected and actual	-	(8,444)	-	-
Assumption Changes	-	18	-	-
Benefit Payments	(22,600)	-	(5,940)	-
Net Change in Total Pension Liability (Asset)	750	14,755	15,823	20,434
Total Pension Liability - beginning	225,921	211,166	195,343	174,909
Total Pension Liability - ending (a)	\$ 226,671	\$ 225,921	\$ 211,166	\$ 195,343
 Plan Fiduciary Net Position:				
Contribution - State and Local	\$ 21,824	\$ 20,348	\$ 19,446	\$ 24,084
Net Investment Income	73,658	70,704	(10,829)	50,603
Administrative Expenses	(1,799)	(599)	(599)	(2,399)
Benefit Payments	(22,600)	-	(5,940)	-
Net Change in Plan Fiduciary Net Position	71,083	90,453	2,078	72,288
Plan Fiduciary Net Position - beginning	433,492	343,039	340,961	268,673
Plan Fiduciary Net Position - ending (b)	\$ 504,575	\$ 433,492	\$ 343,039	\$ 340,961
 Net Pension Liability (Asset) - ending (a) - (b)	\$ (277,904)	\$ (207,571)	\$ (131,873)	\$ (145,618)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	222.60%	191.88%	162.45%	174.54%
 Covered Payroll	N/A	N/A	N/A	N/A
 Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A	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, 2021

Last 10 Fiscal Years*

For the Year Ended December 31:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Non-Employer State Aid	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ -	\$ -	\$ -	\$ 21,687	n/a	n/a
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, 2021

Last 10 Fiscal Years*

<u>For the Year Ended:</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2021	17.1%
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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDING DECEMBER 31, 2021

Last 10 Fiscal Years*

	2021
Total OPEB Liability	
Differences between Expected and Actual Experience	\$ 754,805
Total OPEB liability - beginning	-
Total OPEB liability - ending	\$ 754,805
Covered payroll	\$ 624,986
City's net OPEB liability as a percentage of covered payroll	120.77%

* - 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, 2021

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.

Actual expenditures exceeded budget in the General Fund by \$217,584 for the year ended December 31, 2021. The excess expenditures were necessary and covered by available fund balance.

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, 2021

Note 2 – Pensions

General Employees Fund

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.5% to 6.5%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

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

2020 Changes:

Changes in Actuarial Assumptions:

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes:

Changes in Actuarial Assumptions:

- The 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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.

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

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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.

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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, 2021

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 221,978	\$ 301,609	\$ 168,585	\$ 692,172
Accounts Receivable	63	-	-	63
Due from Other Governments	-	45,943	1,801	47,744
Delinquent Property Taxes Receivable	-	-	3,278	3,278
Special Assessments Receivable	-	-	30,320	30,320
Prepaid Expenses	1,912	-	-	1,912
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Assets</u>	<u>\$ 223,953</u>	<u>\$ 347,552</u>	<u>\$ 203,984</u>	<u>\$ 775,489</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 448	\$ 6,206	\$ -	\$ 6,654
Accrued Salaries and Wages Payable	154	-	-	154
Due to Other Funds	-	55,733	-	55,733
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	602	61,939	-	62,541
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	-	-	33,598	33,598
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	33,598	33,598
<u>Fund Balances</u>				
Nonspendable	1,912	-	-	1,912
Restricted	155,409	-	145,295	300,704
Committed	64,000	-	25,091	89,091
Assigned	2,030	301,609	-	303,639
Unassigned	-	(15,996)	-	(15,996)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	223,351	285,613	170,386	679,350
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
	<u>\$ 223,953</u>	<u>\$ 347,552</u>	<u>\$ 203,984</u>	<u>\$ 775,489</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
General Property Taxes	\$ -	\$ -	\$ 52,901	\$ 52,901
Special Assessments	-	-	41,444	41,444
Tax Increments	41,379	-	-	41,379
Charges for Services	32,369	-	-	32,369
Intergovernmental Revenues	17,780	-	-	17,780
Interest Income	424	1,188	496	2,108
Other	8,377	-	-	8,377
<u>Total Revenues</u>	<u>100,329</u>	<u>1,188</u>	<u>94,841</u>	<u>196,358</u>
<u>Expenditures</u>				
Current:				
Economic Development	-	10,190	-	10,190
Culture and Recreation	45,760	-	-	45,760
Cemetery	6,984	-	-	6,984
Capital Outlay	32,493	51,749	-	84,242
Debt Service:				
Principal	-	-	64,964	64,964
Interest and Fiscal Charges	23,513	-	16,865	40,378
<u>Total Expenditures</u>	<u>108,750</u>	<u>61,939</u>	<u>81,829</u>	<u>252,518</u>
<u>Excess of Revenues</u>				
<u>Over (Under) Expenditures</u>	<u>(8,421)</u>	<u>(60,751)</u>	<u>13,012</u>	<u>(56,160)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Long Term Debt	-	45,943	-	45,943
Operating Transfers In	2,000	30,000	-	32,000
<u>Total Other Financing Sources (Uses)</u>	<u>2,000</u>	<u>75,943</u>	<u>-</u>	<u>77,943</u>
<u>Net Change in Fund Balance</u>	<u>(6,421)</u>	<u>15,192</u>	<u>13,012</u>	<u>21,783</u>
<u>Fund Balances, Beginning of Year</u>	<u>229,772</u>	<u>270,421</u>	<u>157,374</u>	<u>657,567</u>
<u>Fund Balances, End of Year</u>	<u>\$ 223,351</u>	<u>\$ 285,613</u>	<u>\$ 170,386</u>	<u>\$ 679,350</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021

	<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>
<u>ASSETS</u>					
Cash	\$ 2,036	\$ 64,063	\$ 33,020	\$ 122,859	\$ 221,978
Accounts Receivable	63	-	-	-	63
Prepaid Expenses	214	-	1,698	-	1,912
Total Assets	\$ 2,313	\$ 64,063	\$ 34,718	\$ 122,859	\$ 223,953
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ -	\$ 63	\$ 385	\$ -	\$ 448
Accrued Salaries and Wages Payable	69	-	85	-	154
Total Liabilities	69	63	470	-	602
<u>Fund Balances</u>					
Nonspendable	214	-	1,698	-	1,912
Restricted	-	-	32,550	122,859	155,409
Committed	-	64,000	-	-	64,000
Assigned	2,030	-	-	-	2,030
Total Fund Balances	2,244	64,000	34,248	122,859	223,351
Total Liabilities and Fund Balances	\$ 2,313	\$ 64,063	\$ 34,718	\$ 122,859	\$ 223,953

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	Cemetery Fund	Perpetual Care Fund	Pine Tree Park Fund	Tax Increment Financing Districts	Total Nonmajor Special Revenue Funds
Revenues					
Tax Increments	\$ -	\$ -	\$ -	\$ 41,379	\$ 41,379
Charges for Services	4,188	1,563	26,618	-	32,369
Intergovernmental Revenues	-	-	17,780	-	17,780
Interest Income	130	45	249	-	424
Other	174	-	8,203	-	8,377
Total Revenues	4,492	1,608	52,850	41,379	100,329
Expenditures					
Current:					
Culture and Recreation	-	-	45,760	-	45,760
Cemetery	6,984	-	-	-	6,984
Capital Outlay	-	-	32,493	-	32,493
Debt Service:					
Interest and Fiscal Charges	-	-	-	23,513	23,513
Total Expenditures	6,984	-	78,253	23,513	108,750
Excess of Revenues					
Over (Under) Expenditures	(2,492)	1,608	(25,403)	17,866	(8,421)
Other Financing Sources (Uses)					
Operating Transfers In	2,000	-	-	-	2,000
Net Change in Fund Balance	(492)	1,608	(25,403)	17,866	(6,421)
Fund Balances, Beginning of Year	2,736	62,392	59,651	104,993	229,772
Fund Balances, End of Year	\$ 2,244	\$ 64,000	\$ 34,248	\$ 122,859	\$ 223,351

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021

	<u>Fire Hall Maintenance Fund</u>	<u>Public Works Reserve Fund</u>	<u>Downtown Development Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<u>ASSETS</u>				
Cash	\$ 288,722	\$ 12,887	\$ -	\$ 301,609
Due from Other Governments	-	-	45,943	45,943
<u>Total Assets</u>	<u>\$ 288,722</u>	<u>\$ 12,887</u>	<u>\$ 45,943</u>	<u>\$ 347,552</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ -	\$ -	\$ 6,206	\$ 6,206
Due to Other Funds	-	-	55,733	55,733
Total Liabilities	-	-	61,939	61,939
<u>Fund Balances</u>				
Assigned	288,722	12,887	-	301,609
Unassigned	-	-	(15,996)	(15,996)
Total Fund Balances	288,722	12,887	(15,996)	285,613
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 288,722</u>	<u>\$ 12,887</u>	<u>\$ 45,943</u>	<u>\$ 347,552</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	<u>Fire Hall Maintenance Fund</u>	<u>Public Works Reserve Fund</u>	<u>Downtown Development Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<u>Revenues</u>				
Interest Income	\$ 1,134	\$ 54	\$ -	\$ 1,188
<u>Expenditures</u>				
Current:				
Economic Development	-	-	10,190	10,190
Capital Outlay	-	-	51,749	51,749
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>61,939</u>	<u>61,939</u>
<u>Excess of Revenues</u>				
Over (Under) Expenditures	<u>1,134</u>	<u>54</u>	<u>(61,939)</u>	<u>(60,751)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Long Term Debt	-	-	45,943	45,943
Operating Transfers In	30,000	-	-	30,000
<u>Total Other Financing Sources (Uses)</u>	<u>30,000</u>	<u>-</u>	<u>45,943</u>	<u>75,943</u>
<u>Net Change in Fund Balance</u>	<u>31,134</u>	<u>54</u>	<u>(15,996)</u>	<u>15,192</u>
<u>Fund Balances, Beginning of Year</u>	<u>257,588</u>	<u>12,833</u>	<u>-</u>	<u>270,421</u>
<u>Fund Balances, End of Year</u>	<u>\$ 288,722</u>	<u>\$ 12,887</u>	<u>\$ (15,996)</u>	<u>\$ 285,613</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
ASSETS					
Cash	\$ 11,944	\$ 92,617	\$ 50,889	\$ 13,135	\$ 168,585
Due from Other Governments	12	1,123	666	-	1,801
Delinquent Property Taxes Receivable	22	1,912	1,344	-	3,278
Special Assessments Receivable	-	-	-	30,320	30,320
Total Assets	\$ 11,978	\$ 95,652	\$ 52,899	\$ 43,455	\$ 203,984
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred Inflows of Resources					
Unavailable Revenue	\$ 22	\$ 1,912	\$ 1,344	\$ 30,320	\$ 33,598
Fund Balances					
Restricted	-	93,740	51,555	-	145,295
Committed	11,956	-	-	13,135	25,091
Total Fund Balances	11,956	93,740	51,555	13,135	170,386
Total Deferred Inflows of Resources and Fund Balances	\$ 11,978	\$ 95,652	\$ 52,899	\$ 43,455	\$ 203,984

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
Revenues					
General Property Taxes	\$ 541	\$ 33,075	\$ 19,285	\$ -	\$ 52,901
Special Assessments	15,158	11,420	-	14,866	41,444
Interest Income	150	157	189	-	496
Total Revenues	15,849	44,652	19,474	14,866	94,841
Expenditures					
Debt Service:					
Principal	9,967	35,000	15,000	4,997	64,964
Interest and Fiscal Charges	6,097	7,045	2,331	1,392	16,865
Total Expenditures	16,064	42,045	17,331	6,389	81,829
Net Change in Fund Balance	(215)	2,607	2,143	8,477	13,012
Fund Balances, Beginning of Year	12,171	91,133	49,412	4,658	157,374
Fund Balances, End of Year	\$ 11,956	\$ 93,740	\$ 51,555	\$ 13,135	\$ 170,386

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 410,591	\$ 426,564
Accounts Receivable	22,322	24,372
Special Assessments Receivable	113,145	126,416
Due from Other Governments	-	223
Prepaid Expenses	1,464	1,464
Total Current Assets	547,522	579,039
<u>Capital Assets</u>		
Furniture & Fixtures	7,740	7,740
Other Improvements	2,206,387	2,206,386
Construction in Progress	28,185	1,014
	2,242,312	2,215,140
Less: Accumulated Depreciation	(994,858)	(910,828)
Capital Assets, Net of Depreciation	1,247,454	1,304,312
<u>Total Assets</u>	1,794,976	1,883,351
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	30,086	10,932
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	49,000	52,000
Accounts Payable	4,696	6,725
Sales Tax Payable	285	296
Accrued Interest Payable	7,727	7,727
Accrued Salaries and Wages Payable	3,652	3,652
Total Current Liabilities	65,360	70,400
<u>Long-Term Liabilities</u>		
Bonds Payable, Net of Unamortized Bond Discount	886,647	934,322
Less: Current Portion	(49,000)	(52,000)
Accrued Compensated Absences	5,465	4,061
Net Pension Liability	34,292	51,441
Total Long-Term Liabilities	877,404	937,824
<u>Total Liabilities</u>	942,764	1,008,224
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	32,917	4,522
<u>NET POSITION</u>		
Net Investment in Capital Assets	360,807	369,990
Restricted	22,319	11,241
Unrestricted	466,255	500,306
<u>Total Net Position</u>	\$ 849,381	\$ 881,537

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For The Year Ended December 31, 2020

	<u>2021</u>		Variance - Positive (Negative)	<u>2020</u> Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 222,744	\$ 220,225	\$ (2,519)	\$ 210,570
<u>Operating Expenses</u>				
Personnel Services	94,001	86,141	7,860	93,892
Utilities	12,000	12,580	(580)	12,470
Supplies and Materials	12,250	16,998	(4,748)	4,933
Repairs and Maintenance	14,500	7,352	7,148	8,740
Contracted Services	9,500	9,764	(264)	31,836
Insurance	3,915	4,494	(579)	4,195
Depreciation and Amortization	10,000	84,519	(74,519)	83,099
Other Expenses	10,444	14,299	(3,855)	8,524
Total Operating Expenses	<u>166,610</u>	<u>236,147</u>	<u>(69,537)</u>	<u>247,689</u>
<u>Operating Income (Loss)</u>	<u>56,134</u>	<u>(15,922)</u>	<u>(72,056)</u>	<u>(37,119)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	(1,750)	1,481	3,231	6,932
Intergovernmental Grants and Aids	-	-	-	6,994
Special Assessments	15,553	-	(15,553)	-
Miscellaneous	-	1,593	1,593	2,136
Interest Expense	<u>(29,580)</u>	<u>(19,308)</u>	<u>10,272</u>	<u>(19,371)</u>
Total Non-Operating Revenues (Expenses)	<u>(15,777)</u>	<u>(16,234)</u>	<u>(457)</u>	<u>(3,309)</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>40,357</u>	<u>(32,156)</u>	<u>(72,513)</u>	<u>(40,428)</u>
<u>Operating Transfers</u>				
Transfer from Other Funds	-	-	-	3,553
<u>Change in Net Position</u>	<u>40,357</u>	<u>(32,156)</u>	<u>(72,513)</u>	<u>(36,875)</u>
<u>Net Position, Beginning of Year</u>	<u>881,537</u>	<u>881,537</u>	<u>-</u>	<u>918,412</u>
<u>Net Position, End of Year</u>	<u>\$ 921,894</u>	<u>\$ 849,381</u>	<u>\$ (72,513)</u>	<u>\$ 881,537</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 222,498	\$ 209,366
Cash Paid to Employees	(92,645)	(91,974)
Cash Paid to Suppliers	<u>(67,527)</u>	<u>(67,217)</u>
Net Cash Provided by (Used in) Operating Activities	<u>62,326</u>	<u>50,175</u>
 <u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	1,592	2,136
Transfers from Other Funds	-	<u>3,553</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>1,592</u>	<u>5,689</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(27,172)	(8,754)
Principal Paid on Bonds Payable	(48,163)	(52,000)
Grant Proceeds	-	6,994
Special Assessment Collections	13,271	14,126
Interest and Fees Paid on Bonds	<u>(19,308)</u>	<u>(19,371)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(81,372)</u>	<u>(59,005)</u>
 <u>Cash Flows from Investing Activities</u>		
Interest Income	<u>1,481</u>	<u>6,932</u>
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(15,973)</u>	<u>3,791</u>
 <u>Cash and Cash Equivalents, Beginning of Year</u>	<u>426,564</u>	<u>422,773</u>
 <u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 410,591</u>	<u>\$ 426,564</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

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

	<u>2021</u>	<u>2020</u>
<u>Operating Income (Loss)</u>	\$ (15,922)	\$ (37,119)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	84,519	83,099
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	2,050	(1,204)
(Increase) Decrease in Due from Other Governments	223	-
(Increase) Decrease in Deferred Outflows of Resources	(19,154)	(4,188)
Increase (Decrease) in Accounts Payable	(2,029)	3,468
Increase (Decrease) in Sales Tax Payable	(11)	13
Increase (Decrease) in Accrued Salaries and Wages Payable	-	2,297
Increase (Decrease) in Accrued Compensated Absences	1,404	922
Increase (Decrease) in Deferred Inflows of Resources	28,395	(8,305)
Increase (Decrease) in Net Pension Liability	<u>(17,149)</u>	<u>11,192</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 62,326</u>	<u>\$ 50,175</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 299,872	\$ 286,376
Accounts Receivable	23,199	23,503
Property Taxes Receivable	496	700
Special Assessments Receivable	66,852	75,065
Due from Other Governments	305	485
Prepaid Expenses	2,843	2,843
Total Current Assets	<u>393,567</u>	<u>388,972</u>
<u>Capital Assets</u>		
Land and Buildings	2,289,673	2,289,673
Furniture, Fixtures and Equipment	18,027	18,027
Other Improvements	743,541	743,541
Construction in Progress	28,185	1,014
	<u>3,079,426</u>	<u>3,052,255</u>
Less: Accumulated Depreciation	<u>(2,343,607)</u>	<u>(2,315,461)</u>
Capital Assets, Net of Depreciation	<u>735,819</u>	<u>736,794</u>
<u>Total Assets</u>	<u>1,129,386</u>	<u>1,125,766</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>32,821</u>	<u>11,772</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	27,000	26,000
Accounts Payable	1,663	5,161
Accrued Interest Payable	1,681	1,681
Accrued Salaries and Wages Payable	3,845	3,845
Total Current Liabilities	<u>34,189</u>	<u>36,687</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	83,644	109,644
Less: Current Portion	(27,000)	(26,000)
Accrued Compensated Absences	5,698	4,228
Net Pension Liability	37,409	55,398
Total Long-Term Liabilities	<u>99,751</u>	<u>143,270</u>
<u>Total Liabilities</u>	<u>133,940</u>	<u>179,957</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>35,909</u>	<u>4,870</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	652,175	627,150
Unrestricted	340,183	325,561
<u>Total Net Position</u>	<u>\$ 992,358</u>	<u>\$ 952,711</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, 2021

With Comparative Amounts For The Year Ended December 31, 2020

	2021			2020 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<u>Operating Revenues</u>				
Charges for Services	\$ 198,598	\$ 218,086	\$ 19,488	\$ 204,831
<u>Operating Expenses</u>				
Personnel Services	97,624	90,364	7,260	93,691
Utilities	20,500	17,986	2,514	19,745
Supplies and Materials	5,400	5,621	(221)	3,491
Repairs and Maintenance	16,700	15,758	942	7,784
Contracted Services	10,000	14,613	(4,613)	30,945
Insurance	6,000	7,978	(1,978)	7,549
Depreciation	25,000	28,146	(3,146)	27,030
Other Expenses	6,500	6,592	(92)	5,086
Total Operating Expenses	187,724	187,058	666	195,321
<u>Operating Income (Loss)</u>	10,874	31,028	20,154	9,510
<u>Non-Operating Income (Expense)</u>				
Interest Income	750	1,185	435	4,196
Property Taxes	8,187	8,156	(31)	8,862
Special Assessments	9,928	-	(9,928)	-
Miscellaneous	-	2,490	2,490	1,487
Interest Expense	(5,256)	(3,212)	2,044	(2,688)
Total Non-Operating Income (Expense)	13,609	8,619	(4,990)	11,857
<u>Net Income (Loss) Before Operating Transfers</u>	24,483	39,647	15,164	21,367
<u>Operating Transfers</u>				
Transfer to Other Funds	-	-	-	(15,000)
Transfer from Other Funds	-	-	-	3,443
Total Operating Transfers	-	-	-	(11,557)
<u>Change in Net Position</u>	24,483	39,647	15,164	9,810
<u>Net Position, Beginning of Year</u>	952,711	952,711	-	942,901
<u>Net Position, End of Year</u>	\$ 977,194	\$ 992,358	\$ 15,164	\$ 952,711

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

	2021	2020
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 218,570	\$ 203,602
Cash Paid to Employees	(96,893)	(92,614)
Cash Paid to Suppliers	(72,046)	(70,959)
Net Cash Provided by (Used in) Operating Activities	49,631	40,029
<u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	2,490	1,487
Transfers To Other Funds	-	(15,000)
Transfers From Other Funds	-	3,443
Net Cash Provided by (Used in) Non-Capital Financing Activities	2,490	(10,070)
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(27,171)	(7,097)
Principal Paid on Bonds Payable	(26,000)	(26,000)
Property Taxes Proceeds	8,360	8,862
Special Assessment Proceeds	8,213	9,663
Interest and Fees Paid on Bonds	(3,212)	(2,688)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(39,810)	(17,260)
<u>Cash Flows from Investing Activities</u>		
Interest Income	1,185	4,196
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	13,496	16,895
<u>Cash and Cash Equivalents, Beginning of Year</u>	286,376	269,481
<u>Cash and Cash Equivalents, End of Year</u>	\$ 299,872	\$ 286,376

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

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

	<u>2021</u>	<u>2020</u>
<u>Operating Income (Loss)</u>	\$ 31,028	\$ 9,510
 <u>Adjustments to Reconcile Operating Income (Loss) to</u>		
<u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	28,146	27,030
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	304	(1,229)
(Increase) Decrease in Due from Other Governments	180	-
(Increase) Decrease in Deferred Outflows of Resources	(21,049)	(4,509)
Increase (Decrease) in Accounts Payable	(3,498)	3,641
Increase (Decrease) in Accrued Salaries and Wages Payable	-	1,507
Increase (Decrease) in Accrued Compensated Absences	1,470	970
Increase (Decrease) in Deferred Inflows of Resources	31,039	(8,943)
Increase (Decrease) in Net Pension Liability	(17,989)	12,052
 <u>Net Cash Provided by (Used in) Operating Activities</u>	 <u>\$ 49,631</u>	 <u>\$ 40,029</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2021

With Comparative Amounts For December 31, 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 133,159	\$ 205,026
Cash on Hand	2,000	2,000
Accounts Receivable	14,544	9,883
Inventory	85,347	87,723
Prepaid Expenses	7,840	7,840
Total Current Assets	242,890	312,472
<u>Capital Assets</u>		
Land and Buildings	1,128,815	355,843
Furniture, Fixtures and Equipment	136,271	123,349
Other Improvements	54,634	54,634
Construction in Progress	-	4,760
	1,319,720	538,586
Less: Accumulated Depreciation	(359,950)	(341,436)
Capital Assets, Net of Depreciation	959,770	197,150
<u>Non-Current Assets</u>		
Due from Other Funds	111,754	115,969
<u>Total Assets</u>	1,314,414	625,591
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	103,933	30,272
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds and Leases Payable	12,386	11,848
Accounts Payable	137,629	67,836
Sales Taxes Payable	14,026	10,364
Accrued Salaries and Wages Payable	15,642	8,061
Total Current Liabilities	179,683	98,109
<u>Long-Term Liabilities</u>		
Accrued Compensated Absences	16,711	12,508
Bonds and Leases Payable	695,866	57,714
Current Portion of Bonds and Leases Payable	(12,386)	(11,848)
Net Pension Liability	118,462	142,452
Total Long-Term Liabilities	818,653	200,826
<u>Total Liabilities</u>	998,336	298,935
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	113,712	12,524
<u>NET POSITION</u>		
Net Investment in Capital Assets	223,058	197,150
Unrestricted	83,241	147,254
<u>Total Net Position</u>	\$ 306,299	\$ 344,404

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, 2021
With Comparative Amounts For December 31, 2020

	2021		Variance - Positive (Negative)	2020 Actual
	Original and Final Budget	Actual		
Sales	\$ 1,211,800	\$ 1,389,213	\$ 177,413	\$ 1,289,600
Cost of Sales	(729,000)	(812,019)	(83,019)	(816,140)
Gross Profit	482,800	577,194	94,394	473,460
Operating Revenues	-	22,577	22,577	-
Total Gross Profit and Operating Revenues	482,800	599,771	116,971	473,460
Operating Expenses				
Personnel Services	256,466	316,669	(60,203)	241,436
Utilities	35,100	41,782	(6,682)	38,952
Supplies and Materials	15,900	33,766	(17,866)	33,793
Advertising and Promotion	6,000	6,348	(348)	6,324
Repairs and Maintenance	10,000	5,700	4,300	39,219
Contracted Services	10,600	52,535	(41,935)	15,869
Insurance	19,950	19,748	202	19,968
Depreciation	-	27,094	(27,094)	20,872
Other Expenses	53,804	67,492	(13,688)	57,609
Total Operating Expenses	407,820	571,134	(163,314)	474,042
Operating Income	74,980	28,637	(46,343)	(582)
Non-Operating Revenues (Expenses)				
Interest Income	2,000	1,127	(873)	3,400
Rental Income	7,500	9,591	2,091	7,817
Interest Expense	-	(2,460)	(2,460)	-
Total Non-Operating Revenues	9,500	8,258	(1,242)	11,217
Net Income (Loss) Before Operating Transfers	84,480	36,895	(47,585)	10,635
Operating Transfers				
Transfer To Other Funds	(75,000)	(75,000)	-	(87,500)
Change in Net Position	9,480	(38,105)	(47,585)	(66,146)
Net Position, Beginning of Year	344,404	344,404	-	410,550
Net Position, End of Year	\$ 353,884	\$ 306,299	\$ (47,585)	\$ 344,404

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
With Comparative Amounts For December 31, 2020

	2021	2020
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,407,129	\$ 1,284,955
Cash Paid to Employees	(301,348)	(237,276)
Cash Paid to Suppliers	(1,004,405)	(995,989)
Net Cash Provided by (Used in) Operating Activities	101,376	51,690
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers To Other Funds	(75,000)	(76,781)
Interfund Financing	4,215	(5,091)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(70,785)	(81,872)
<u>Cash Flows from Capital and Related Financing Activities</u>		
Debt Proceeds	650,000	64,867
Principal Paid on Lease Proceeds	(11,848)	(7,153)
Purchase of Property and Equipment	(748,868)	(68,276)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(110,716)	(10,562)
<u>Cash Flows from Investing Activities</u>		
Interest Income	1,127	3,400
Rental Income	9,591	7,817
Interest Paid	(2,460)	-
Net Cash Provided by (Used in) Investing Activities	8,258	11,217
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(71,867)	(29,527)
<u>Cash and Cash Equivalents, Beginning of Year</u>	207,026	236,553
<u>Cash and Cash Equivalents, End of Year</u>	\$ 135,159	\$ 207,026

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

<u>Operating Income (Loss)</u>	\$ 28,637	\$ (582)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation	27,094	20,872
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	(4,661)	(4,645)
(Increase) Decrease Inventory	2,376	18,374
(Increase) Decrease Deferred Outflows of Resources	(73,661)	(11,596)
Increase (Decrease) Accounts Payable	28,947	13,995
Increase (Decrease) Sales Tax Payable	3,662	(484)
Increase (Decrease) Accrued Salaries and Wages Payable	7,581	2,591
Increase (Decrease) Accrued Compensated Absences	4,203	5,169
Increase (Decrease) Deferred Inflows of Resources	101,188	(22,996)
Increase (Decrease) Net Pension Liability	(23,990)	30,992
<u>Net Cash Provided by (Used in) Operating Activities</u>	\$ 101,376	\$ 51,690



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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, 2021, 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 May 18, 2022.

In connection with our audit, we noted that the City of Blackduck, Minnesota failed to comply with the provisions of the public indebtedness section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as item 2021-004. Also, 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 bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Blackduck, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

City of Blackduck, Minnesota

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.

May 18, 2022

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, 2021, 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 May 18, 2022.

Report on 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.

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

City of Blackduck, Minnesota

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Blackduck, Minnesota's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Blackduck, Minnesota's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

May 18, 2022
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

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

Internal Control

Finding 2021-001: 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.

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

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

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 2021-002: 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.

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.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

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

Finding 2021-003 – Material Adjustments

Condition: During the course of our engagement, we proposed material audit adjustments that affected the City’s fund balance in total and each individual fund.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information.

Cause: The City has not adopted an internal control policy over the annual financial reporting under generally accepted accounting principles (GAAP).

Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at the administrative level.

Management’s Response – Corrective Action Plan (CAP)

1. **Explanation of Disagreement with Audit Finding**
There is no disagreement with the finding.
2. **Actions Planned in Response to Finding**
Staff will continue to obtain training in reporting under GAAP
3. **Official Responsible for Ensuring CAP Implementation**
Christina Regas, City Administrator

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

4. **Planned Completion**
December 31, 2022

5. **Plan to Monitor Completion of CAP**
The City Administrator will review these requirements and follow them when the situation arises.

II. FINDINGS RELATED TO COMPLIANCE IN ACCORDANCE WITH MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR CITIES

Finding: 2021-004 – Public Indebtedness: Reporting

Condition: The City did not submit the Report of Outstanding Indebtedness in a timely manner.

Criteria: Minn. Stat. § 471.70 states the total amount of outstanding obligations and the purpose for which they are issued as of December 31 must be submitted to the auditor of each county in which the city is situated by February 1.

Effect: The City is not in compliance with current Minnesota Statutes.

Cause: The City did not have controls in place to ensure timely submission.

Recommendation: The City should update employees on Minnesota Statutes relevant to the City.

Management’s Response – Corrective Action Plan (CAP)

1. **Explanation of Disagreement with Audit Finding**
There is no disagreement with the finding.

2. **Actions Planned in Response to Finding**
City employees will review deadlines for reporting.

3. **Official Responsible for Ensuring CAP Implementation**
Christina Regas, City Administrator

4. **Planned Completion**
December 31, 2022

5. **Plan to Monitor Completion of CAP**
The City Administrator will review these requirements and follow them when the situation arises.