

CITY OF BLACKDUCK, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022

(Page intentionally left blank.)

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2022

TABLE OF CONTENTS

OFFICIAL DIRECTORY	1
INDEPENDENT AUDITOR’S REPORT	2-5
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	6-12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21-22
Statement of Fiduciary Net Position – Custodial Funds	23
Statement of Revenues, Expenses, and Changes in Fiduciary Net Position – Custodial Fund	24
Notes to Financial Statements	25-58
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	59-63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Golf Fund	64

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2022

TABLE OF CONTENTS – Continued

Schedule of the City’s and Non-Employer Proportionate Share of the Net Pension Liability	65
Schedule of City’s Contributions	66
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Blackduck Fire Relief Association	67
Schedule of Employer and Non-Employer Contributions – Blackduck Fire Relief Association	68
Schedule of Investment Returns – Blackduck Fire Relief Association	69
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	70
Notes to the Required Supplementary Information	71-77

SUPPLEMENTARY INFORMATION

Combining Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	79
Combining Balance Sheet – Nonmajor Special Revenue Governmental Funds	80
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Governmental Funds	81
Combining Balance Sheet – Nonmajor Capital Projects Governmental Funds	82
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Governmental Funds	83
Combining Balance Sheet – Nonmajor Debt Service Governmental Funds	84
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Governmental Funds	85
Comparative Enterprise Funds	
Schedule of Net Position – Municipal Water Enterprise Fund	86
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Municipal Water Enterprise Fund	87
Schedule of Cash Flows – Municipal Water Enterprise Fund	88-89
Schedule of Net Position – Municipal Sewage Disposal Enterprise Fund	90
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Municipal Sewage Disposal Enterprise Fund	91
Schedule of Cash Flows – Municipal Sewage Disposal Enterprise Fund	92-93

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2022

TABLE OF CONTENTS – Continued

Schedule of Net Position– Municipal Liquor Store Enterprise Fund	94
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Municipal Liquor Store Enterprise Fund	95
Schedule of Cash Flows – Municipal Liquor Store Enterprise Fund	96
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	97

OTHER REPORTS

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 <i>Government Auditing Standards</i>	98-99
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	100-102
Schedule of Findings and Questioned Costs	103-107
Summary Schedule of Prior Year Audit Findings	108

CITY OF BLACKDUCK, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2022
(Unaudited)

		<u>Term Expires</u>
Mayor	Maxwell Gullette	12/31/22
Council	Nicholas Seitz	12/31/24
	Donald Johnson	12/31/24
	BobbieJo Kewitsch	Resigned 6/6/22
	Ronald Fredrickson	12/31/22
	Laurie Hamilton	12/31/22
Administrator	Christina Regas	Appointive



MILLER MCDONALD, INC.
Certified Public Accountants
513 Beltrami Avenue
P.O. Box 486
Bemidji, MN 56619
(218) 751 - 6300
Fax (218) 751 - 0782
www.millermcdonald.com

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, 2022, 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, 2022, 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 59 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 combining nonmajor governmental fund schedules, comparative enterprise fund schedules, and schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, 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 nonmajor governmental fund schedules, comparative enterprise fund schedules, and schedules 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.

City of Blackduck, Minnesota

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 26, 2023, 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 26, 2023
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

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 \$4,895,665. Of this amount, \$686,183 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 \$2,116,794. Of this total amount, approximately 35%, or \$738,516 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 \$36,289.
- Total outstanding debt, including interfund debt, was \$4,063,442 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 \$3,528,000 or 86% 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, 2022

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, 2022

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 2022, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,895,665

The largest portion of the City’s net position, 58%, 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	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$2,566,804	\$2,142,381	\$1,161,075	\$1,295,733	\$3,727,879	\$3,438,114
Capital Assets, Net of Depreciation	4,095,449	2,041,399	2,725,561	2,943,043	6,821,010	4,984,442
Total Assets	6,662,253	4,183,780	3,886,636	4,238,776	10,548,889	8,422,556
Deferred Outflows of Resources	298,280	290,732	203,267	166,840	501,547	457,572
Liabilities:						
Long-Term Liabilities Outstanding	3,164,163	1,369,967	1,613,960	1,884,194	4,778,123	3,254,161
Other Liabilities	550,575	115,550	641,215	190,846	1,191,790	306,396
Total Liabilities	3,714,738	1,485,517	2,255,175	2,075,040	5,969,913	3,560,557
Deferred Inflows of Resources	179,084	375,458	5,774	182,538	184,858	557,996
Net Position:						
Net Investment in Capital Assets	1,700,419	1,636,673	1,147,300	1,236,040	2,847,719	2,872,713
Restricted	1,329,703	1,217,217	32,060	22,319	1,361,763	1,239,536
Unrestricted	36,589	(240,353)	649,594	889,679	686,183	649,326
Total Net Position	\$3,066,711	\$2,613,537	\$1,828,954	\$2,148,038	\$4,895,665	\$4,761,575

A portion of the City’s net position, approximately 28%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$686,183, may be used to meet the government’s ongoing obligations to citizens and creditors.

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

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Governmental Activities – Net position of the City's governmental activities increased by \$453,174

Business-type Activities – Net position of the City's business-type activities decreased by \$319,084.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 331,364	\$ 286,178	\$ 2,077,341	\$ 1,848,741	\$ 2,408,705	\$ 2,134,919
Operating Grants and Contributions	120,506	73,486	1,431	-	121,937	73,486
Capital Grants and Contributions	160,000	313,347	-	-	160,000	313,347
General Revenues:						
Property Taxes and Special Assessments	379,193	353,734	7,986	8,156	387,179	361,890
Grants and aids Not Restricted for Specific Programs	348,567	331,152	-	-	348,567	331,152
Fines and Fees	113	435	-	-	113	435
Interest Income	11,996	14,214	11,411	3,599	23,407	17,813
Rental Income	-	-	15,086	9,591	15,086	9,591
Other	52,634	29,350	5,835	5,637	58,469	34,987
Total Revenues	1,404,373	1,401,896	2,119,090	1,875,724	3,523,463	3,277,620
Expenses:						
General Government	229,350	150,948	-	-	229,350	150,948
Public Safety	128,159	940,472	-	-	128,159	940,472
Streets and Highways	297,823	195,767	-	-	297,823	195,767
Economic Development	25,190	27,567	-	-	25,190	27,567
Culture and Recreation	334,314	313,824	-	-	334,314	313,824
Cemetery	10,564	7,107	-	-	10,564	7,107
Interest and Fiscal Fees	64,315	47,740	-	-	64,315	47,740
Municipal Water	-	-	280,497	255,455	280,497	255,455
Municipal Sewage Disposal	-	-	248,134	190,270	248,134	190,270
Municipal Liquor Store	-	-	1,752,322	1,385,613	1,752,322	1,385,613
Total Expenses	1,089,715	1,683,425	2,280,953	1,831,338	3,370,668	3,514,763
Increase (Decrease) in Net Position Before Transfers and Special Items	314,658	(281,529)	(161,863)	44,386	152,795	(237,143)
Transfers	157,221	75,000	(157,221)	(75,000)	-	-
Special Item - Gain on Sale of Asset	-	22,801	-	-	-	22,801
Special Item - Voluntary Return of Restricted Funds	(18,705)	-	-	-	(18,705)	-
Change in Net Position	453,174	(183,728)	(319,084)	(30,614)	134,090	(214,342)
Net Position, Beginning of Year	2,613,537	2,797,265	2,148,038	2,178,652	4,761,575	4,975,917
Net Position, End of Year	\$ 3,066,711	\$ 2,613,537	\$ 1,828,954	\$ 2,148,038	\$ 4,895,665	\$ 4,761,575

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, 2022

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 2022 fiscal year, the City's governmental funds reported combined fund balances of \$2,116,794. Approximately 1.7% of this total amount, or \$36,289, 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 \$175,685, restricted use of \$1,202,593 and designated by the City of \$702,227. The restricted funds could be used for the following: \$5,861 for revolving loans; \$140,334 for debt repayment; \$601,927 for special equipment; \$217,138 for construction of maintenance facility building; \$133,267 for tax increment financing districts; \$21,193 for road maintenance; \$36,000 for stage development; \$15,000 for redevelopment; and \$31,873 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 (\$44,974), municipal sewage \$314,124, and municipal water \$380,444. Restricted net position in the municipal water fund was \$32,060 for repairs and maintenance. Total net position before operating transfers for the current year ended decreased in the municipal water fund, municipal sewage disposal fund and the municipal liquor store fund.

General Fund Budgetary Highlights

The City did not revise its 2022 budget during the year. The 2022 budget for the General Fund anticipated expenditures and other financing uses in excess of revenues and other financing sources of \$54,419. Actual results for the General Fund for 2022 show expenditures and other financing uses in excess of revenues and other financing sources of \$22,814.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022 amounts to \$6,821,010 (net of accumulated depreciation and amortization). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land and Buildings	\$ 1,240,322	\$ 1,046,455	\$ 3,418,489	\$ 3,418,489	\$ 4,658,811	\$ 4,464,944
Furniture, Fixtures, and Equipment	1,263,314	1,452,669	97,390	97,654	1,360,704	1,550,323
Other Improvements	1,389,831	1,218,438	2,995,981	3,004,561	4,385,812	4,222,999
Construction in Progress	2,107,853	274,231	-	56,370	2,107,853	330,601
Right to Use Lease - Equipment	241,368	241,368	64,384	64,384	305,752	305,752
Less Accumulated Depreciation and Amortization	(2,147,239)	(2,191,762)	(3,850,683)	(3,698,415)	(5,997,922)	(5,890,177)
Total	\$ 4,095,449	\$ 2,041,399	\$ 2,725,561	\$ 2,943,043	\$ 6,821,010	\$ 4,984,442

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 \$4,063,442 in long term bonds, notes and leases outstanding, including interfund debt. The full faith and credit of the City backs 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	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$2,007,000	\$ 55,000	\$ -	\$ -	\$2,007,000	\$ 55,000
G.O. Special Assessment Bonds	15,000	70,000	34,000	44,000	49,000	114,000
General Obligation Revenue Bonds	20,000	30,000	1,340,000	1,385,000	1,360,000	1,415,000
Leases Payable	146,683	178,398	33,480	45,866	180,163	224,264
Notes Payable	290,635	175,152	176,644	197,644	467,279	372,796
Total	\$2,479,318	\$ 508,550	\$ 1,584,124	\$ 1,672,510	\$4,063,442	\$2,181,060

A total of \$215,796 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 2023 budget, rates, tax levy and fees, and as a result, the 2023 levy increased from 2022. 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, 2022

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, 2022

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,256,992	\$ 652,789	\$ 2,909,781
Accounts Receivable	25,814	66,842	92,656
Special Assessments Receivable	25,989	164,831	190,820
Internal Balances	(171,383)	171,383	-
Due from Other Governments	30,217	197	30,414
Notes Receivable	48,955	-	48,955
Delinquent Property Taxes Receivable	17,288	496	17,784
Inventory	-	89,937	89,937
Prepaid Expenses	22,733	14,600	37,333
Net Pension Asset	310,199	-	310,199
Capital Assets:			
Non-Depreciable Assets	2,837,654	39,487	2,877,141
Depreciable Capital Assets, Net of Depreciation and Amortization	1,257,795	2,686,074	3,943,869
<u>Total Assets</u>	6,662,253	3,886,636	10,548,889
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to Pensions	281,634	203,267	484,901
Deferred Outflows of Resources Related to OPEB	16,646	-	16,646
<u>Total Deferred Outflows of Resources</u>	298,280	203,267	501,547
<u>LIABILITIES</u>			
Accounts Payable	131,177	99,297	230,474
Sales Tax Payable	-	20,274	20,274
Accrued Interest Payable	12,783	13,925	26,708
Accrued Salaries and Wages Payable	12,495	25,389	37,884
Due to Other Governments	23,828	-	23,828
Accrued Compensated Absences	296	-	296
Unearned Revenues	32,735	-	32,735
Noncurrent Liabilities			
Due Within One Year	2,039,986	119,944	2,159,930
Due in More Than One Year	349,086	1,494,016	1,843,102
Net Pension Liability - More Than One Year	337,261	482,330	819,591
OPEB Liability - More Than One Year	775,091	-	775,091
<u>Total Liabilities</u>	3,714,738	2,255,175	5,969,913
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to Pensions	179,084	5,774	184,858
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,700,419	1,147,300	2,847,719
Restricted for Economic Development	139,128	-	139,128
Restricted for Debt Service	143,590	-	143,590
Restricted for Capital Projects	623,120	-	623,120
Restricted for Pensions	339,294	-	339,294
Restricted for Other Purposes	84,571	32,060	116,631
Unrestricted	36,589	649,594	686,183
<u>Total Net Position</u>	\$ 3,066,711	\$ 1,828,954	\$ 4,895,665

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General Government	\$ 229,350	\$ 21,775	\$ 38,700	\$ -	\$ (168,875)	\$ -	\$ (168,875)
Public Safety	128,159	83,656	61,805	160,000	177,302	-	177,302
Streets and Highways	297,823	-	-	-	(297,823)	-	(297,823)
Economic Development	25,190	-	-	-	(25,190)	-	(25,190)
Culture and Recreation	334,314	222,808	20,001	-	(91,505)	-	(91,505)
Cemetery	10,564	3,125	-	-	(7,439)	-	(7,439)
Interest and Fiscal Fees	64,315	-	-	-	(64,315)	-	(64,315)
Total Governmental Activities	<u>1,089,715</u>	<u>331,364</u>	<u>120,506</u>	<u>160,000</u>	<u>(477,845)</u>	<u>-</u>	<u>(477,845)</u>
BUSINESS-TYPE ACTIVITIES							
Municipal Water	280,497	219,573	-	-	-	(60,924)	(60,924)
Municipal Sewage Disposal	248,134	221,659	-	-	-	(26,475)	(26,475)
Municipal Liquor Store	1,752,322	1,636,109	1,431	-	-	(114,782)	(114,782)
Total Business-Type Activities	<u>2,280,953</u>	<u>2,077,341</u>	<u>1,431</u>	<u>-</u>	<u>-</u>	<u>(202,181)</u>	<u>(202,181)</u>
Total Primary Government	<u>\$ 3,370,668</u>	<u>\$ 2,408,705</u>	<u>\$ 121,937</u>	<u>\$ 160,000</u>	<u>(477,845)</u>	<u>(202,181)</u>	<u>(680,026)</u>
General Revenues:							
Property Taxes and Special Assessments					379,193	7,986	387,179
Grants and Aids Not Restricted for Specific Programs					348,567	-	348,567
Fines and Fees					113	-	113
Interest Income					11,996	11,411	23,407
Rental Income					-	15,086	15,086
Other					52,634	5,835	58,469
Special Item - Voluntary Return of Restricted Funds					(18,705)	-	(18,705)
Transfers In (Out)					157,221	(157,221)	-
Total General Revenues, Special Items, and Transfers					<u>931,019</u>	<u>(116,903)</u>	<u>814,116</u>
Change in Net Position					453,174	(319,084)	134,090
Net Position, Beginning of Year					<u>2,613,537</u>	<u>2,148,038</u>	<u>4,761,575</u>
Net Position, End of Year					<u>\$ 3,066,711</u>	<u>\$ 1,828,954</u>	<u>\$ 4,895,665</u>

See Accompanying Notes to Financial Statements

CITY OF BLACKDUCK, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2022

	General Fund	Golf Fund	Revolving Loan Fund	Maintenance Facility Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash	\$ 289,883	\$ 5,000	\$ 289,424	\$ 308,850	\$ 601,927	\$ 761,908	\$ 2,256,992
Accounts Receivable	8,824	1,739	-	-	-	15,251	25,814
Due from Other Funds	53,508	-	-	-	-	-	53,508
Due from Other Governments	6,253	386	-	-	-	1,465	8,104
Notes Receivable	-	-	152,952	-	-	-	152,952
Delinquent Property Taxes Receivable	13,745	264	-	-	-	3,279	17,288
Special Assessments Receivable	-	-	-	-	-	25,989	25,989
Prepaid Expenses	18,199	2,622	-	-	-	1,912	22,733
Total Assets	\$ 390,412	\$ 10,011	\$ 442,376	\$ 308,850	\$ 601,927	\$ 809,804	\$ 2,563,380
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 38,212	\$ 574	\$ -	\$ 91,712	\$ -	\$ 679	\$ 131,177
Accrued Salaries and Wages Payable	11,773	568	-	-	-	154	12,495
Due to Other Governments	1,715	-	-	-	-	-	1,715
Due to Other Funds	-	171,383	-	-	-	53,508	224,891
Accrued Compensated Absences	-	296	-	-	-	-	296
Unearned Revenues	32,735	-	-	-	-	-	32,735
Total Liabilities	84,435	172,821	-	91,712	-	54,341	403,309
<u>Deferred Inflows of Resources</u>							
Unavailable Revenue	13,745	264	-	-	-	29,268	43,277
<u>Fund Balances</u>							
Nonspendable	18,199	2,622	152,952	-	-	1,912	175,685
Restricted	21,193	-	5,861	217,138	601,927	356,474	1,202,593
Committed	-	-	283,563	-	-	85,334	368,897
Assigned	-	-	-	-	-	333,330	333,330
Unassigned	252,840	(165,696)	-	-	-	(50,855)	36,289
Total Fund Balances	292,232	(163,074)	442,376	217,138	601,927	726,195	2,116,794
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 390,412	\$ 10,011	\$ 442,376	\$ 308,850	\$ 601,927	\$ 809,804	\$ 2,563,380

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, 2022

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,116,794

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	\$ 6,242,688	
Less Accumulated Depreciation and Amortization	<u>(2,147,239)</u>	4,095,449

Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		43,277
---	--	--------

Inter-government receivable is reported in the governmental funds but are not in the governmental activities.		(103,998)
---	--	-----------

Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		(15,044)
---	--	----------

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.		(3,486,380)
---	--	-------------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(12,783)
---	--	----------

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	310,199	
Deferred Outflows of Resources	26,133	
Deferred Inflows of Resources	<u>(55,228)</u>	
		281,104

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	272,147	
Deferred Inflows of Resources	<u>(123,855)</u>	<u>148,292</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,066,711

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, 2022

	General Fund	Golf Fund	Revolving Loan Fund	Maintenance Facility Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes and Special Assessments	\$ 262,014	\$ 15,823	\$ -	\$ -	\$ -	\$ 62,774	\$ 340,611
Licenses and Permits	13,675	-	-	-	-	-	13,675
Intergovernmental Revenues	386,217	-	-	-	-	11,000	397,217
Tax Increments	-	-	-	-	-	42,115	42,115
Charges for Services	91,756	177,162	-	-	-	29,438	298,356
Fines and Fees	113	-	-	-	-	-	113
Interest Income	617	-	5,124	-	2,857	2,755	11,353
Donations and Grants	2,700	24,001	-	-	160,000	51,000	237,701
Other	9,766	4,469	48	-	-	26,620	40,903
Total Revenues	766,858	221,455	5,172	-	162,857	225,702	1,382,044
Expenditures							
Current:							
General Government	201,811	-	-	-	-	-	201,811
Public Safety	189,359	-	-	-	-	-	189,359
Streets and Highways	178,146	-	-	-	-	-	178,146
Economic Development	-	-	-	-	-	3,034	3,034
Culture and Recreation	42,749	201,243	-	-	-	64,719	308,711
Cemetery	-	-	-	-	-	10,641	10,641
Capital Outlay	88,470	50,920	-	1,920,880	31,676	145,884	2,237,830
Debt Service:							
Principal	24,503	28,983	-	-	-	65,131	118,617
Interest and Fiscal Charges	5,537	16,498	-	-	-	40,038	62,073
Total Expenditures	730,575	297,644	-	1,920,880	31,676	329,447	3,310,222
Excess of Revenues Over (Under) Expenditures	36,283	(76,189)	5,172	(1,920,880)	131,181	(103,745)	(1,928,178)
Other Financing Sources (Uses)							
Proceeds from the Sale of Assets	1,200	-	-	-	-	-	1,200
Proceeds from Long Term Debt	-	18,254	-	1,965,000	-	116,090	2,099,344
Operating Transfers In	20,000	5,000	-	173,018	5,000	34,500	237,518
Operating Transfers Out	(80,297)	-	-	-	-	-	(80,297)
Total Other Financing Sources (Uses)	(59,097)	23,254	-	2,138,018	5,000	150,590	2,257,765
Special Item							
Voluntary Return of Restricted Funds	-	-	(18,705)	-	-	-	(18,705)
Net Change in Fund Balance	(22,814)	(52,935)	(13,533)	217,138	136,181	46,845	310,882
Fund Balances, Beginning of Year	315,046	(110,139)	455,909	-	465,746	679,350	1,805,912
Fund Balances, End of Year	\$ 292,232	\$ (163,074)	\$ 442,376	\$ 217,138	\$ 601,927	\$ 726,195	\$ 2,116,794

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, 2022

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 310,882

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	\$ 2,238,812	
Depreciation and Amortization	<u>(184,762)</u>	2,054,050

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (3,509)

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. (2,606)

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. (2,099,344)

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	55,000	
Other Debt	18,861	
Lease Liability	31,715	
Net Amortization of Bond Discount	<u>(677)</u>	127,899

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. (10,867)

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	40,743	
Cost of Benefits Earned Net of Employee Contributions	<u>35,926</u>	<u>76,669</u>

CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES \$ 453,174

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

	Business-Type Activities - Enterprise Funds			Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	2022	2021
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 354,900	\$ 285,253	\$ 14,636	\$ 654,789	\$ 845,622
Accounts Receivable	22,572	23,799	18,471	64,842	60,065
Property Taxes Receivable	-	496	-	496	496
Special Assessments Receivable	103,867	60,964	-	164,831	179,997
Due from Other Governments	-	197	-	197	305
Inventory	-	-	89,937	89,937	85,347
Prepaid Expenses	2,327	2,843	9,430	14,600	12,147
Total Current Assets	483,666	373,552	132,474	989,692	1,183,979
Capital Assets					
Land and Buildings	-	2,289,673	1,128,815	3,418,488	3,418,488
Furniture, Fixtures and Equipment	7,740	18,027	71,623	97,390	97,654
Other Improvements	2,206,387	743,541	46,054	2,995,982	3,004,562
Construction in Progress	-	-	-	-	56,370
Righ to Use Lease - Equipment	-	-	64,384	64,384	64,384
	2,214,127	3,051,241	1,310,876	6,576,244	6,641,458
Less: Accumulated Depreciation and Amortization	(1,078,888)	(2,371,753)	(400,042)	(3,850,683)	(3,698,415)
Capital Assets, Net of Depreciation and Amortization	1,135,239	679,488	910,834	2,725,561	2,943,043
Noncurrent Assets					
Due from Other Funds	-	-	171,383	171,383	111,754
Total Assets	1,618,905	1,053,040	1,214,691	3,886,636	4,238,776
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	31,942	31,942	139,383	203,267	166,840
LIABILITIES					
Current Liabilities					
Current Portion of Bonds and Leases Payable	49,000	28,000	42,944	119,944	88,386
Accounts Payable	7,744	1,755	89,798	99,297	143,988
Sales Tax Payable	242	-	20,032	20,274	14,311
Accrued Interest Payable	7,727	1,681	4,517	13,925	9,408
Accrued Salaries and Wages Payable	3,652	3,845	17,892	25,389	23,139
Total Current Liabilities	68,365	35,281	175,183	278,829	279,232
Long-Term Liabilities					
Bonds and Leases Payable, Net of Unamortized Bond Discount	838,137	56,644	683,480	1,578,261	1,666,157
Less: Current Portion	(49,000)	(28,000)	(42,944)	(119,944)	(88,386)
Compensated Absences	7,037	7,387	21,275	35,699	27,874
Net Pension Liability	75,795	75,795	330,740	482,330	190,163
Total Long-Term Liabilities	871,969	111,826	992,551	1,976,346	1,795,808
Total Liabilities	940,334	147,107	1,167,734	2,255,175	2,075,040
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	907	907	3,960	5,774	182,538
NET POSITION					
Net Investment in Capital Assets	297,102	622,844	227,354	1,147,300	1,236,040
Restricted	32,060	-	-	32,060	22,319
Unrestricted	380,444	314,124	(44,974)	649,594	889,679
Total Net Position	\$ 709,606	\$ 936,968	\$ 182,380	\$ 1,828,954	\$ 2,148,038

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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>2022</u>	<u>2021</u>
	<u>Water</u>	<u>Sewage</u>	<u>Liquor</u>		
	<u>Fund</u>	<u>Disposal</u>	<u>Store</u>		
		<u>Fund</u>	<u>Fund</u>		
<u>Sales and Cost of Sales</u>					
Sales	\$ -	\$ -	\$ 1,610,414	\$ 1,610,414	\$ 1,389,213
Cost of Sales	-	-	(951,968)	(951,968)	(812,019)
Gross Profit	-	-	658,446	658,446	577,194
<u>Operating Revenues</u>	<u>219,177</u>	<u>221,431</u>	<u>28,091</u>	<u>468,699</u>	<u>460,888</u>
<u>Total Gross Profit and Operating Revenues</u>	<u>219,177</u>	<u>221,431</u>	<u>686,537</u>	<u>1,127,145</u>	<u>1,038,082</u>
<u>Operating Expenses</u>					
Personnel Services	109,038	110,547	507,223	726,808	493,174
Utilities	14,834	26,451	56,077	97,362	72,348
Supplies and Materials	11,673	4,660	46,629	62,962	56,385
Advertising and Printing	-	-	6,595	6,595	6,348
Repairs and Maintenance	8,623	52,409	12,053	73,085	28,810
Contracted Services	4,074	9,915	19,332	33,321	76,912
Insurance	4,722	8,128	21,674	34,524	32,220
Depreciation and Amortization	84,519	28,146	48,936	161,601	139,759
Other Expenses	25,137	5,791	70,498	101,426	88,383
Total Operating Expenses	<u>262,620</u>	<u>246,047</u>	<u>789,017</u>	<u>1,297,684</u>	<u>994,339</u>
<u>Operating Income (Loss)</u>	<u>(43,443)</u>	<u>(24,616)</u>	<u>(102,480)</u>	<u>(170,539)</u>	<u>43,743</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Income	6,411	4,347	881	11,639	3,793
Rental Income	-	-	15,086	15,086	9,591
Miscellaneous	1,643	2,192	1,431	5,266	4,083
Property Taxes	-	7,984	-	7,984	8,156
Special Assessments	-	2	-	2	-
Interest Expense	(17,877)	(2,087)	(11,337)	(31,301)	(24,980)
Total Non-Operating Revenues (Expenses)	<u>(9,823)</u>	<u>12,438</u>	<u>6,061</u>	<u>8,676</u>	<u>643</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>(53,266)</u>	<u>(12,178)</u>	<u>(96,419)</u>	<u>(161,863)</u>	<u>44,386</u>
<u>Operating Transfers</u>					
Transfer to Other Funds	(86,509)	(86,509)	(27,500)	(200,518)	(75,000)
Transfer from Other Funds	-	43,297	-	43,297	-
Total Operating Transfers	<u>(86,509)</u>	<u>(43,212)</u>	<u>(27,500)</u>	<u>(157,221)</u>	<u>(75,000)</u>
<u>Change in Net Position</u>	<u>(139,775)</u>	<u>(55,390)</u>	<u>(123,919)</u>	<u>(319,084)</u>	<u>(30,614)</u>
<u>Net Position, Beginning of Year</u>	<u>849,381</u>	<u>992,358</u>	<u>306,299</u>	<u>2,148,038</u>	<u>2,178,652</u>
<u>Net Position, End of Year</u>	<u>\$ 709,606</u>	<u>\$ 936,968</u>	<u>\$ 182,380</u>	<u>\$ 1,828,954</u>	<u>\$ 2,148,038</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For Year Ended December 31, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>		
	<u>Water</u>	<u>Sewage</u>	<u>Liquor</u>		
<u>Fund</u>	<u>Disposal</u>	<u>Store</u>	<u>2022</u>	<u>2021</u>	
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$ 218,927	\$ 220,939	\$ 1,634,578	\$ 2,074,444	\$ 1,848,197
Cash Paid to Employees	(99,829)	(104,595)	(433,333)	(637,757)	(490,886)
Cash Paid to Suppliers	(66,921)	(107,262)	(1,232,831)	(1,407,014)	(1,143,978)
<u>Net Cash Provided by (Used in)</u>					
<u>Operating Activities</u>	<u>52,177</u>	<u>9,082</u>	<u>(31,586)</u>	<u>29,673</u>	<u>213,333</u>
<u>Cash Flows from Non-Capital</u>					
<u>Financing Activities</u>					
Miscellaneous Revenue	1,643	2,192	1,431	5,266	4,082
Interfund Financing	-	-	(59,629)	(59,629)	4,215
Transfers To Other Funds	-	-	(27,500)	(27,500)	(75,000)
Transfers From Other Funds	-	43,297	-	43,297	-
<u>Net Cash Provided by (Used in) Non-Capital</u>					
<u>Financing Activities</u>	<u>1,643</u>	<u>45,489</u>	<u>(85,698)</u>	<u>(38,566)</u>	<u>(66,703)</u>
<u>Cash Flows from Capital and</u>					
<u>Related Financing Activities</u>					
Transfers To Other Funds	(58,323)	(58,324)	-	(116,647)	-
Purchase of Property and Equipment	-	-	-	-	(803,211)
Principal Paid on Leases Payable	-	-	(12,386)	(12,386)	(11,848)
Principal Paid on Bonds Payable	(49,000)	(27,000)	-	(76,000)	(74,163)
Debt Proceeds	-	-	-	-	650,000
Property Taxes Proceeds	-	7,984	-	7,984	8,360
Special Assessment Proceeds	9,278	5,890	-	15,168	21,484
Interest and Fees Paid on Bonds	(17,877)	(2,087)	(6,820)	(26,784)	(24,980)
<u>Net Cash Provided by (Used in) Capital</u>					
<u>and Related Financing Activities</u>	<u>(115,922)</u>	<u>(73,537)</u>	<u>(19,206)</u>	<u>(208,665)</u>	<u>(234,358)</u>
<u>Cash Flows from Investing Activities</u>					
Interest Income	6,411	4,347	881	11,639	3,793
Rental Income	-	-	15,086	15,086	9,591
<u>Net Cash Provided by (Used in)</u>					
<u>Investing Activities</u>	<u>6,411</u>	<u>4,347</u>	<u>15,967</u>	<u>26,725</u>	<u>13,384</u>
<u>Net Increase (Decrease) in</u>					
<u>Cash and Cash Equivalents</u>	<u>(55,691)</u>	<u>(14,619)</u>	<u>(120,523)</u>	<u>(190,833)</u>	<u>(74,344)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>410,591</u>	<u>299,872</u>	<u>135,159</u>	<u>845,622</u>	<u>919,966</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 354,900</u>	<u>\$ 285,253</u>	<u>\$ 14,636</u>	<u>\$ 654,789</u>	<u>\$ 845,622</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For Year Ended December 31, 2021

**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>2022</u>	<u>2021</u>
	<u>Water</u>	<u>Sewage</u>	<u>Liquor</u>		
<u>Fund</u>	<u>Disposal</u>	<u>Store</u>			
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>			
<u>Operating Income (Loss)</u>	\$ (43,443)	\$ (24,616)	\$ (102,480)	\$ (170,539)	\$ 43,743
<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	48,936	161,601	139,759
Changes in Assets, Liabilities and Deferrals					
(Increase) Decrease in:					
Accounts Receivable	(250)	(600)	(3,927)	(4,777)	(2,307)
Due from Other Governments	-	108	-	108	403
Inventory	-	-	(4,590)	(4,590)	2,376
Prepaid Expenses	(863)	-	(1,590)	(2,453)	-
Deferred Outflows of Resources	(1,856)	879	(35,450)	(36,427)	(113,864)
Increase (Decrease) in:					
Accounts Payable	3,048	92	(47,831)	(44,691)	23,420
Sales Tax Payable	(43)	-	6,006	5,963	3,651
Accrued Salaries and Wages Payable	-	-	2,250	2,250	7,581
Accrued Compensated Absences	1,572	1,689	4,564	7,825	7,077
Deferred Inflows of Resources	(32,010)	(35,002)	(109,752)	(176,764)	160,622
Net Pension Liability	41,503	38,386	212,278	292,167	(59,128)
<u>Net Cash Provided by (Used in)</u>					
<u>Operating Activities</u>	\$ 52,177	\$ 9,082	\$ (31,586)	\$ 29,673	\$ 213,333

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Asset Transfers to Governmental Funds	<u>\$ 28,186</u>	<u>\$ 28,185</u>	<u>\$ -</u>	<u>\$ 56,371</u>	<u>\$ -</u>
---	------------------	------------------	-------------	------------------	-------------

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022

ASSETS

Cash and Cash Equivalents

\$ 10,962

NET POSITION

Restricted for Other Organizations

\$ 10,962

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, 2022

<u>Additions</u>	\$ 5,869
<u>Deductions</u>	<u>-</u>
<u>Net Income (Loss)</u>	5,869
<u>Net Position, Beginning of Year</u>	<u>5,093</u>
<u>Net Position, End of Year</u>	<u>\$ 10,962</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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, 2022

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, 2022

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.

Maintenance Facility Fund – The Maintenance Facility Fund accounts for the activities related to construction of a new facility.

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, 2022

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, 2022

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.) Leases

For leases with a term exceeding 12 months, the City recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

The City accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

The City has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5.) Long-term Obligations

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

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

6.) Pensions

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

7.) Deferred Outflows/Inflows of Resources

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	\$ 13,745	\$ 264	\$ 3,279	\$ 17,288
Special Assessments	-	-	25,989	25,989
Total	\$ 13,745	\$ 264	\$ 29,268	\$ 43,277

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

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

8.) Fund Balance

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

As of December 31, 2022, fund balances are composed of the following:

	<u>General Fund</u>	<u>Golf Fund</u>	<u>Revolving Loan Fund</u>	<u>Maintenance Facility Fund</u>	<u>Fire Dept Special Equipment</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Fund Balances:							
Nonspendable:							
Prepaid Expenses	\$ 18,199	\$ 2,622	\$ -	\$ -	\$ -	\$ 1,912	\$ 22,733
Revolving Loan	-	-	152,952	-	-	-	152,952
Restricted:							
Pine Tree Park	-	-	-	-	-	31,873	31,873
Tax Increment Financing Distri	-	-	-	-	-	133,267	133,267
Economic Development	-	-	5,861	217,138	-	51,000	273,999
Debt Service	-	-	-	-	-	140,334	140,334
Road Maintenance	21,193	-	-	-	-	-	21,193
Equipment	-	-	-	-	601,927	-	601,927
Committed:							
Cemetary Perpetual Care Fund	-	-	-	-	-	65,448	65,448
Debt Service	-	-	-	-	-	19,886	19,886
Assigned:							
Fire Hall Maintenance	-	-	-	-	-	320,374	320,374
Public Works Reserve	-	-	-	-	-	12,956	12,956
Economic Development	-	-	283,563	-	-	-	283,563
Unassigned:	252,840	(165,696)	-	-	-	(50,855)	36,289
Total	<u>\$ 292,232</u>	<u>\$(163,074)</u>	<u>\$ 442,376</u>	<u>\$ 217,138</u>	<u>\$ 601,927</u>	<u>\$ 726,195</u>	<u>\$2,116,794</u>

9.) Use of Estimates

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

10.) Change in Accounting Principle

For the year ended December 31, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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, 2022.

Restricted Deposits – The City has \$32,060 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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6.) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The City has not adopted a formal investment policy. The City has not invested funds at December 31, 2022. 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, 2022.

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

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, 2022 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:				
12/31/2015	\$ 54,837	1/1/2029	0.00%	\$ 36,489
5/18/2016	40,000	6/1/2023	0.00%	12,724
8/1/2019	5,500	8/1/2029	0.00%	1,452
8/1/2019	15,000	8/1/2029	5.50%	10,866
9/1/2019	32,000	11/1/2029	5.50%	23,913
8/10/2020	11,389	8/10/2030	3.25%	9,254
8/10/2020	50,000	8/10/2030	0.00%	40,000
6/1/2022	18,254	2/1/2022	3.25%	18,254
Total	\$ 226,980			\$ 152,952

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

F. Capital Assets

Capital asset activity for the year ended December 31, 2022 is as follows:

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2022</u>
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets				
Land	\$ 535,934	\$ 193,867	\$ -	\$ 729,801
Construction in Progress	274,231	2,008,645	175,023	2,107,853
Total Non-Depreciable Capital Assets	<u>810,165</u>	<u>2,202,512</u>	<u>175,023</u>	<u>2,837,654</u>
Depreciable Capital Assets				
Buildings	510,521	-	-	510,521
Furniture, Fixtures and Equipment	1,452,669	39,930	229,285	1,263,314
Righ to Use Lease - Equipment	241,368	-	-	241,368
Other Improvements	1,218,438	171,393	-	1,389,831
Total Depreciable Capital Assets	<u>3,422,996</u>	<u>211,323</u>	<u>229,285</u>	<u>3,405,034</u>
Less Accumulated Depreciation and Amortization	<u>2,191,762</u>	<u>184,762</u>	<u>229,285</u>	<u>2,147,239</u>
Depreciable Capital Assets, Net	<u>1,231,234</u>	<u>26,561</u>	<u>-</u>	<u>1,257,795</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 2,041,399</u>	<u>\$ 2,229,073</u>	<u>\$ 175,023</u>	<u>\$ 4,095,449</u>
<u>Business-Type Activities</u>				
Non-Depreciable Capital Assets				
Land	\$ 39,487	\$ -	\$ -	\$ 39,487
Construction in Progress	56,370	-	56,370	-
Total Non-Depreciable Capital Assets	<u>95,857</u>	<u>-</u>	<u>56,370</u>	<u>39,487</u>
Depreciable Capital Assets				
Buildings	3,379,002	-	-	3,379,002
Furniture, Fixtures and Equipment	97,654	-	264	97,390
Righ to Use Lease - Equipment	64,384	-	-	64,384
Other Improvements	3,004,561	-	8,580	2,995,981
Total Depreciable Capital Assets	<u>6,545,601</u>	<u>-</u>	<u>8,844</u>	<u>6,536,757</u>
Less Accumulated Depreciation and Amortization	<u>3,698,415</u>	<u>161,112</u>	<u>8,844</u>	<u>3,850,683</u>
Depreciable Capital Assets, Net	<u>2,847,186</u>	<u>(161,112)</u>	<u>-</u>	<u>2,686,074</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 2,943,043</u>	<u>\$ (161,112)</u>	<u>\$ 56,370</u>	<u>\$ 2,725,561</u>

The City's lease amortization is presented as amortization expense on the Statement of Activities related to the City's equipment leases, which is included in the above table as Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2022:

	Balance 1/1/22	Issues	Payments	Balance 12/31/22
General Long-Term Debt:				
General Obligation Special Assessment Bonds:				
G.O. Refunding Bonds, Series 2009A	\$ 30,000	\$ -	\$ 15,000	\$ 15,000
G.O. Bonds, Series 2006A	40,000	-	40,000	-
General Obligation Revenue Bonds:				
2012A Equipment Bond	9,000	-	3,000	6,000
2012A Club House Refunded Bond	21,000	-	7,000	14,000
General Obligation Bond:				
2016 G.O. Equipment Certificate	55,000	-	13,000	42,000
2022A Interim Bond	-	1,965,000	-	1,965,000
Note Payable:				
Industrial Lane Internal Note*	4,981	-	4,981	-
Frontage Road Improvements Note*	41,638	-	5,148	36,490
USDA Loan	27,354	-	2,749	24,605
DEED Demolition Loan	45,942	116,090	-	162,032
Golf Course Shed - Storefront Rehab*	45,000	-	5,000	40,000
Golf Course Shed - Commercial Development*	10,237	-	983	9,254
Golf Course Mower	-	18,254	-	18,254
Total General Long-Term Debt	330,152	2,099,344	96,861	2,332,635
Less: Unamortized Bond Discount	1,969	-	677	1,292
Total Net General Long-Term Debt	328,183	2,099,344	96,184	2,331,343
Lease Payable (See Note 2, Section "H."):				
Ziegler CAT	67,869	-	7,565	60,304
GM Financial	51,130	-	11,959	39,171
TCF Bank - Golf Carts	59,399	-	12,191	47,208
Total Net Lease Payable	178,398	-	31,715	146,683
Other Long-Term Liabilities:				
Compensated Absences	12,438	2,606	-	15,044
Total Governmental Activities	\$ 519,019	\$ 2,101,950	\$ 127,899	\$ 2,493,070
Proprietary Fund Debt:				
General Obligation Revenue Bonds:				
G.O. Refunding Bonds, Series 2012A	\$ 735,000	\$ -	\$ 45,000	\$ 690,000
G.O. Tax Abatement Bond 2021A	650,000	-	-	650,000
General Obligation Special Assessment Bonds:				
G.O. Disposal System Bonds, Series 2014A	44,000	-	10,000	34,000
Note Payable:				
2017 G.O. Disposal System Note	39,644	-	17,000	22,644
2016 G.O. Water Revenue Note	158,000	-	4,000	154,000
Total Net Proprietary Fund Long-Term Debt	1,626,644	-	76,000	1,550,644
Less: Unamortized Bond Discount	6,352	-	489	5,863
Total Net Proprietary Fund Long-Term Debt	1,620,292	-	75,511	1,544,781
Lease Payable (See Note 2, Section "H."):				
TCF Bank	45,866	-	12,386	33,480
Other Long-Term Liabilities:				
Compensated Absences	27,874	7,825	-	35,699
Total Proprietary Activities	\$ 1,694,032	\$ 7,825	\$ 87,897	\$ 1,613,960

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

City indebtedness at December 31, 2022 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Amount Authorized and Issued	Balance 12/31/2022	Amounts Due in 2023	
						Principal	Interest
General Obligation Issues:							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	\$ 93,000	\$ 42,000	\$ 14,000	\$ 875
2022A G.O. Temporary Bond	2.000	6/23/2022	8/1/2023	1,965,000	1,965,000	1,965,000	43,448
Total Net General Obligation Issues				\$ 2,058,000	\$ 2,007,000	\$ 1,979,000	\$ 44,323
Special Assessment Bonds with Governmental Commitment:							
G.O. Refunding Bonds, Series 2009A	3.000-4.250	12/28/2009	1/1/2024	\$ 445,000	\$ 15,000	\$ 15,000	\$ 638
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	105,000	34,000	11,000	855
Less: Unamortized Discount				-	1,292	-	-
Total Net Special Assessment Bonds				\$ 550,000	\$ 47,708	\$ 26,000	\$ 1,493
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 690,000	\$ 45,000	\$ 15,488
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	6,000	3,000	90
2012A Club House Refunded	.750-2.550	12/27/2012	2/1/2035	65,000	14,000	7,000	210
G.O. Tax Abatement Bonds, Series 2021A	.750-2.550	5/27/2021	2/1/2030	650,000	650,000	30,000	10,675
Less: Unamortized Discount				-	5,863	-	-
Total G. O. Revenue Bonds				\$ 1,815,000	\$ 1,354,137	\$ 85,000	\$ 26,463
Notes Payable:							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 22,644	\$ 17,000	\$ 417
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2046	148,293	154,000	4,000	1,540
Frontage Road Improvements Note	0.000	12/31/2015	1/1/2029	54,837	36,490	5,303	1,085
USDA Loan	2.375	4/6/2020	4/6/2030	30,000	24,605	2,815	591
Golf Course Shed - Storefront Rehab	0.000	8/10/2020	8/10/2030	50,000	40,000	5,000	-
Golf Course Shed - Commercial Development	3.250	8/10/2020	8/10/2030	11,389	9,254	1,015	292
DEED Demolition Loan	2.000	3/26/2021	3/26/2026	162,033	162,032	-	-
Golf Course Mower	3.250	6/1/2022	2/1/2028	18,254	18,254	2,981	669
Total Notes Payable				\$ 654,806	\$ 467,279	\$ 38,114	\$ 4,594
Lease Payable:							
Ziegler CAT	4.800	2/15/2021	2/15/2025	\$ 76,823	\$ 60,304	\$ 7,928	\$ 2,895
TCF Bank	4.490	1/1/2020	1/1/2025	64,867	33,480	12,944	1,361
GM Financial	4.457	1/5/2021	1/5/2025	89,367	39,171	12,492	1,746
TCF Bank - Golf Carts	4.500	7/22/2021	7/22/2026	65,578	47,208	12,751	1,919
Total Lease Payable				\$ 296,635	\$ 180,163	\$ 46,115	\$ 7,921

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.

During 2022, the City entered into a temporary financing agreement through a private bank for funding the project costs of the new maintenance facility. The agreement will provide interim financing of \$1,965,000 at an interest rate of 2%. Interest payments are due semi-annually. The current maturity for the agreement in August 2023. The agreement is expected to be permanently financed with USDA – Rural Development upon completion of the project.

The City leases a Ziegler CAT tractor for street department use, an electric sign for liquor store advertising, two GMC trucks for street department use, and 15 golf carts for patron use with a fee.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The annual requirements to amortize long-term debt outstanding at December 31, 2022, 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
2023	\$ 1,979,000	\$ 44,323	\$ 26,000	\$ 1,493	\$ 85,000	\$ 26,463	\$ 38,114	\$ 4,594
2024	14,000	525	11,000	525	85,000	25,060	36,726	6,922
2025	14,000	175	12,000	180	80,000	23,628	34,307	6,200
2026	-	-	-	-	80,000	22,247	34,921	4,479
2027	-	-	-	-	80,000	20,830	35,550	4,857
2028-2032	-	-	-	-	420,000	80,514	131,706	15,648
2033-2037	-	-	-	-	350,000	33,585	84,955	6,677
2038-2042	-	-	-	-	180,000	9,200	39,000	2,790
2043-2046	-	-	-	-	-	-	32,000	800
Totals	\$ 2,007,000	\$ 45,023	\$ 49,000	\$ 2,198	\$ 1,360,000	\$ 241,527	\$ 467,279	\$ 52,967

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, 2022. Future tax levies for all bonds outstanding at December 31, 2022 totaled \$807,475. The amount bonds and lease outstanding with interest are to be paid with pledged revenues totaling \$1,205,221. The remaining amounts are to be paid with special assessments.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

H. Leases

A summary of changes in the leases are as follows:

Description	Beginning Balance	Additions	Payments and Retirements	Ending Balance	Current Amounts	
					Principal	Interest
TCF Bank	\$ 45,866	\$ -	\$ 12,386	\$ 33,480	\$ 12,946	\$ 1,361
Ziegler CAT	67,869	-	7,565	60,304	7,927	2,895
GM Financial	51,130	-	11,959	39,171	12,491	1,746
TCF Bank	59,399	-	12,191	47,208	12,751	1,919
Totals	\$ 224,264	\$ -	\$ 44,101	\$ 180,163	\$ 46,115	\$ 7,921

The City's lease assets total \$305,752 with accumulated amortization of \$116,275.

The payments on the lease are accounted for in the General Fund and Municipal Liquor Fund. The annual requirements to amortize the leases at December 31, 2022 are as follows:

<u>Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 46,115	\$ 7,921	\$ 54,036
2024	48,230	5,809	54,039
2025	78,646	3,777	82,423
2026	7,172	161	7,333
Total	\$ 180,163	\$ 17,668	\$ 197,831

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, 2022

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
DECEMBER 31, 2022

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 and Amortization

Depreciation and amortization expenses were charged to functions of primary government as follows:

Governmental Activities:	
General Government	\$ 6,825
Public Safety	43,967
Streets and Highways	79,461
Culture and Recreation	29,319
Economic Development	25,190
Total Governmental Activities Expense	<u>\$ 184,762</u>
 Business-Type Activities:	
Municipal Sewage Disposal	\$ 28,146
Municipal Water	84,030
Municipal Liquor Store	48,936
Total Business-Type Activities Expense	<u>\$ 161,112</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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% 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. 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 2022 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, 2022 were \$45,752. 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 2022 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, 2022, were \$6,384. The City's contributions were equal to the required contributions as set by state statute.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$689,043 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 \$20,302.

The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was .0087% at the end of the measurement period and .0073% for the beginning of the period.

City's proportionate share of net pension liability	\$689,043
State of Minnesota's proportionate share of net pension liability associated with the City	20,302
Total	\$709,345

For the year ended December 31, 2022 the City recognized pension expense of \$158,349 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$3,034 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, 2022, 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	\$ 5,755	\$ 6,123
Changes in actuarial assumptions	131,607	2,126
Difference between projected and actual investment earnings	46,963	-
Changes in proportion	79,646	-
Contributions paid to PERA subsequent to the measurement date	26,410	-
Total	\$ 290,381	\$ 8,249

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The \$26,410 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December</u>	<u>Pension</u> <u>Expense</u>
2023	\$ 98,498
2024	87,799
2025	7,110
2026	62,315

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$130,548 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was .0030% at the end of the measurement period and .0099% 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, 2022. 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, 2021. 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% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

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, 2022, the City recognized pension expense of \$13,446 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized an additional \$1,131 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$9 million to the Police and Fire Fund.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$270 for the year ended December 31, 2022 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, 2022, 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	\$ 15,479	\$ -
Changes in actuarial assumptions	139,471	2,511
Difference between projected and actual investment earnings	-	73,419
Changes in proportion	9,064	45,450
Contributions paid to PERA subsequent to the measurement date	4,373	-
Total	\$ 168,387	\$ 121,380

The \$4,373 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, 2023. 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
2023	\$ 7,116
2024	2,802
2025	(4,657)
2026	35,388
2027	1,985

E. Long-Term Expected Return on Investment

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 Equity	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, 2022, 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%. 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% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% 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% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The Discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the prior valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund projected benefit payments exceed the funds projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

H. Pension Liability Sensitivity

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Sensitivity Analysis				
<i>Net Pension Liability at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 1,088,379	4.40%	\$ 197,568
Current Discount Rate	6.50%	689,043	5.40%	130,548
1% Higher	7.50%	361,525	6.40%	76,367

I. Pension Plan Fiduciary Net Position

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

Single Employer Plan – Blackduck Fire Relief Association

A. Plan Description

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

B. Benefits Provided

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

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

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

C. Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	2
Active members	<u>20</u>
Total	<u><u>22</u></u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$22,113 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	5.50%
Inflation	2.50%
Expected Return on Plan Assets	5.50%
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-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2020. Healthy Post-retirement: RP-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2020. Male rates are adjusted by a factor of 0.98. Disabled: RP-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2020. Male rates are adjusted by a factor of 1.05.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Asset Class	Assumed Target Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of
Domestic Equity	43.00%	4.10%	6.60%
International Equity	14.00%	4.64%	7.14%
Fixed Income	0.00%	1.05%	3.55%
Real estate and alternatives	7.00%	3.54%	6.04%
Cash and Equivalents	36.00%	-0.45%	2.05%
Total	<u>100.00%</u>		5.43%
Reduced for assumed investment expense			<u>-0.04%</u>
Net Assumed Investment Return			<u>5.50%</u>

F. Discount Rate

The discount rate used to measure the total pension liability was 5.5%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” We believe that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, we have used the plan's long-term expected investment return as the liability discount rate.

G. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2021	\$ 226,671	\$ 504,575	\$ (277,904)
Changes for the year:			
Service Cost	9,586	-	9,586
Interest Cost	14,314	-	14,314
Differences between expected and actual experience	(14,110)	-	(14,110)
Changes of assumptions	4,523	-	4,523
Contributions - State and Local	-	22,687	(22,687)
Benefit Payments	(14,464)	(14,464)	-
Net Investment Income	-	25,571	(25,571)
Administrative Expense	-	(1,650)	1,650
Net Changes	<u>(151)</u>	<u>32,144</u>	<u>(32,295)</u>
Balance at December 31, 2022	<u>\$ 226,520</u>	<u>\$ 536,719</u>	<u>\$ (310,199)</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 5.5%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Point Decrease (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>1% Point Increase (6.5%)</u>
Total Pension Liability	\$ 231,570	\$ 226,520	\$ 221,544
Plan Fiduciary Net Position	536,719	536,719	536,719
Net Pension Liability (Asset)	(305,149)	(310,199)	(315,175)

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, 2022, The City recognized pension expense of \$25,904. At December 31, 2022, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 37,075
Difference between expected and actual liability	-	18,153
Change in Assumptions	4,020	-
Contributions to the plan subsequent to the measurement date	22,113	-
Total	<u>\$ 26,133</u>	<u>\$ 55,228</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

\$22,113 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, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending:</u>	
2023	\$ (13,761)
2024	(20,152)
2025	(10,297)
2026	(945)
2027	(2,020)
Thereafter	(4,033)

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	\$ 689,043	\$ 130,548	\$ -	\$ 819,591
Net Pension Asset	-	-	310,199	310,199
Deferred Inflows of Resources	8,249	121,380	55,228	184,857
Deferred Outflows of Resources	290,381	168,387	26,133	484,901
Pension Expense	158,349	13,446	(25,904)	145,891

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 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.

The following changes in actuarial assumptions occurred in 2021:

- The discount rate was changed from 2.00% to 1.84%.

Contributions

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	1.84%
Inflation	2.25%
Healthcare Cost Trend Rate	6.70% for FY2021 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 1.84%.

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balances at December 31, 2021	<u>\$ 754,805</u>
Changes for the year:	
Service Cost	214
Interest Cost	15,001
Assumption Changes	20,761
Difference between Expected and Actual Experience	(5,760)
Benefit Payments	<u>(9,930)</u>
Net Changes	<u>20,286</u>
Balances at December 31, 2022	<u>\$ 775,091</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 (.84%) or one percentage point higher (2.84%) than the current discount rate.

	<u>1% Decrease (.84%)</u>		<u>Current Discount Rate (1.84%)</u>		<u>1% Increase (2.84%)</u>
Total OPEB Liability	\$ 923,299	\$	775,091	\$	656,605

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	\$ 655,496	\$	775,091	\$	921,492

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$758,445.

The City reported deferred outflows of resources related to pensions, \$16,646, 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, 2022.

Note 6 – Interfund Balances and Transfers

As of December 31, 2022, the City had interfund balances to eliminate cash deficits in the Golf Course, Cemetery Fund and Downtown Development Fund.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

		Due from Other Funds		
		General Fund	Municipal Liquor Store Fund	Total
Due to Other Funds	Interfund Balances			
	Golf Course	\$ -	\$ 171,383	\$ 171,383
	Nonmajor Governmental Funds:			
	Cemetery Fund	4,684	-	4,684
	Downtown Development Fund	48,824	-	48,824
	Total Interfund Balances	<u>\$ 53,508</u>	<u>\$ 171,383</u>	<u>\$ 224,891</u>

The City of Blackduck, Minnesota made the following transfers between funds during 2022 as follows:

		Transfer Out		
		General Fund	Municipal Liquor Store Fund	Total
Transfer In	Operating Transfers			
	General Fund	\$ -	\$ 20,000	\$ 20,000
	Golf Course	-	5,000	5,000
	Fire Department Special Equipment	5,000	-	5,000
	Nonmajor Governmental Funds	32,000	2,500	34,500
	Municipal Sewer Disposal Fund	43,297	-	43,297
Total Transfers	<u>\$ 80,297</u>	<u>\$ 27,500</u>	<u>\$ 107,797</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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

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

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

Note 8 – Stewardship, Compliance and Accountability

A. Deficit Fund Equity

The following net position deficit exists as of December 31, 2022:

Cemetery Fund \$1,817

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

B. Expenditures in Excess of Budget

Expenditures exceed the budget in the following major funds for the year-ended December 31, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Golf Fund	\$ 297,644	\$ 246,814	\$ 50,830

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

Note 9 – Commitments and Contingencies

Contracts

The City entered one building construction and two equipment contracts during 2022. As of December 31, 2022, the City had outstanding construction contracts totaling \$666,472.

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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>		<u>Variance- Positive (Negative)</u>	<u>2021 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 258,309	\$ 262,014	\$ 3,705	\$ 239,010
<u>Licenses and Permits</u>	<u>14,750</u>	<u>13,675</u>	<u>(1,075)</u>	<u>810</u>
<u>Intergovernmental Revenues</u>				
<u>Federal</u>				
Other Federal Revenue	19,000	62,731	43,731	30,441
<u>State</u>				
Local Government Aids	283,737	283,737	-	278,534
Market Value Credit	-	57	57	55
Police Aids	16,500	16,005	(495)	19,819
Fire Aid	19,000	23,687	4,687	-
Other State Aid	-	-	-	21,193
Total Intergovernmental Revenues	<u>338,237</u>	<u>386,217</u>	<u>47,980</u>	<u>350,042</u>
<u>Charges for Services</u>				
Rural Fire Contracts	83,655	83,656	1	83,760
Other	8,000	8,100	100	8,176
Total Charges for Services	<u>91,655</u>	<u>91,756</u>	<u>101</u>	<u>91,936</u>
<u>Fines and Fees</u>	<u>1,100</u>	<u>113</u>	<u>(987)</u>	<u>435</u>
<u>Interest Income</u>	<u>2,000</u>	<u>617</u>	<u>(1,383)</u>	<u>117</u>
<u>Other</u>				
Reimbursements	250	9,328	9,078	20,458
Donations	-	2,700	2,700	3,000
Other	2,000	438	(1,562)	65
Total Other	<u>2,250</u>	<u>12,466</u>	<u>10,216</u>	<u>23,523</u>
<u>Total Revenues</u>	<u>708,301</u>	<u>766,858</u>	<u>58,557</u>	<u>705,873</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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>			<u>2021</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Expenditures</u>				
<u>General Government</u>				
<u>Mayor and Council</u>				
Personal Services	11,734	12,477	(743)	10,878
Materials and Supplies	3,500	1,912	1,588	908
Other Expenditures	150	30	120	49
Total Mayor and Council	<u>15,384</u>	<u>14,419</u>	<u>965</u>	<u>11,835</u>
<u>Administration</u>				
Personal Services	116,451	105,876	10,575	95,801
Materials and Supplies	4,950	4,171	779	10,080
Purchased Services	28,288	44,302	(16,014)	27,070
Other Expenditures	8,844	9,815	(971)	12,029
Debt Service - Principal	2,088	4,979	(2,891)	4,462
Total Administration	<u>160,621</u>	<u>169,143</u>	<u>(8,522)</u>	<u>149,442</u>
<u>Planning/Zoning</u>				
Purchased Services	<u>1,000</u>	<u>13,450</u>	<u>(12,450)</u>	<u>1,541</u>
<u>Government Buildings</u>				
Materials and Supplies	900	961	(61)	2,453
Repairs and Maintenance	5,000	1,547	3,453	24,432
Purchased Services	10,265	7,270	2,995	5,972
Total Government Buildings	<u>16,165</u>	<u>9,778</u>	<u>6,387</u>	<u>32,857</u>
Total General Government	<u>193,170</u>	<u>206,790</u>	<u>(13,620)</u>	<u>195,675</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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>			<u>2021</u> Actual
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Public Safety</u>				
<u>Law Enforcement</u>				
Personal Services	181,557	59,167	122,390	112,615
Materials and Supplies	12,250	8,032	4,218	14,988
Repairs and Maintenance	3,600	971	2,629	1,979
Purchased Services	29,024	33,464	(4,440)	26,334
Other Expenditures	5,400	2,554	2,846	2,655
Capital Outlay	-	38,883	(38,883)	45,194
Total Law Enforcement	231,831	143,071	88,760	203,765
<u>Fire</u>				
Personal Services	17,225	14,810	2,415	13,858
Materials and Supplies	14,800	19,862	(5,062)	22,196
Repair and Maintenance	13,150	7,908	5,242	9,578
Purchased Services	20,280	16,989	3,291	16,563
Other Expenditures	21,750	25,602	(3,852)	-
Capital Outlay	6,000	1,045	4,955	1,000
Total Fire	93,205	86,216	6,989	63,195
Total Public Safety	325,036	229,287	95,749	266,960
<u>Streets and Highways</u>				
<u>Street Maintenance</u>				
Personal Services	84,951	81,853	3,098	72,245
Materials and Supplies	53,050	37,975	15,075	22,421
Repair and Maintenance	7,100	4,204	2,896	5,753
Purchased Services	20,964	27,341	(6,377)	19,605
Other Expenditures	3,000	1,459	1,541	2,360
Capital Outlay	28,467	40,768	(12,301)	140,202
Debt Service - Principal	-	19,524	(19,524)	55,287
Debt Service - Interest and Fiscal Fees	-	5,537	(5,537)	2,484
Total Street Maintenance	197,532	218,661	(21,129)	320,357

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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>			<u>2021</u> <u>Actual</u>
	<u>Original</u> <u>and Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Positive</u> <u>(Negative)</u>	
<u>Street Lighting</u>				
Materials and Supplies	3,500	3,309	191	5,003
Repairs and Maintenance	1,100	11,506	(10,406)	1,000
Purchased Services	10,500	10,499	1	10,904
Total Street Lighting	15,100	25,314	(10,214)	16,907
Total Streets and Highways	212,632	243,975	(31,343)	337,264
<u>Culture and Recreation</u>				
<u>Parks and Recreation</u>				
Personal Services	9,257	9,054	203	9,043
Materials and Supplies	5,150	2,639	2,511	4,239
Repairs and Maintenance	4,300	198	4,102	1,812
Purchased Services	6,691	6,589	102	7,395
Capital Outlay	2,360	7,774	(5,414)	46,354
Total Parks and Recreation	27,758	26,254	1,504	68,843
<u>Library</u>				
Materials and Supplies	10,400	1,957	8,443	1,730
Repairs and Maintenance	4,350	350	4,000	1,357
Purchased Services	22,374	21,962	412	20,504
Total Library	37,124	24,269	12,855	23,591
Total Culture and Recreation	64,882	50,523	14,359	92,434
<u>Total Expenditures</u>	795,720	730,575	65,145	892,333
<u>Excess of Revenues Over (Under) Expenditures</u>	(87,419)	36,283	123,702	(186,460)

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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>			<u>2021</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Other Financing Sources (Uses)</u>				
Lease Proceeds	-	-	-	89,367
Gain on Sale of Assets	-	1,200	1,200	24,842
Operating Transfer In	65,000	20,000	(45,000)	65,000
Operating Transfer (Out)	(32,000)	(80,297)	(48,297)	(32,000)
<u>Total Other Financing Sources (Uses)</u>	<u>33,000</u>	<u>(59,097)</u>	<u>(92,097)</u>	<u>147,209</u>
<u>Net Change in Fund Balance</u>	<u>(54,419)</u>	<u>(22,814)</u>	<u>31,605</u>	<u>(39,251)</u>
<u>Fund Balances, Beginning of Year</u>	<u>315,046</u>	<u>315,046</u>	<u>-</u>	<u>354,297</u>
<u>Fund Balances, End of Year</u>	<u>\$ 260,627</u>	<u>\$ 292,232</u>	<u>\$ 31,605</u>	<u>\$ 315,046</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, 2022

With Comparative Amounts For Year Ended December 31, 2021

	<u>2022</u>		<u>Variance- Positive (Negative)</u>	<u>2021 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 15,927	\$ 15,823	\$ (104)	\$ 16,870
<u>Charges for Services</u>				
	168,100	177,162	9,062	158,700
<u>Other</u>				
Donations	-	24,001	24,001	11,200
Other	-	4,469	4,469	2,632
Total Other	-	28,470	28,470	13,832
<u>Total Revenues</u>	184,027	221,455	37,428	189,402
<u>Expenditures</u>				
<u>Culture and Recreation</u>				
Current	192,851	201,243	(8,392)	148,307
Capital Outlay	14,118	50,920	(36,802)	77,343
Total Culture and Recreation	206,969	252,163	(45,194)	225,650
<u>Debt Service</u>				
Principal	24,000	28,983	(4,983)	44,179
Interest and Fiscal Charges	15,845	16,498	(653)	3,354
Total Debt Service	39,845	45,481	(5,636)	47,533
<u>Total Expenditures</u>	246,814	297,644	(50,830)	273,183
<u>Excess of Revenues Over (Under) Expenditures</u>	(62,787)	(76,189)	88,258	(83,781)
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	-	-	-	415
Debt Proceeds	-	18,254	18,254	75,578
Operating Transfer In	10,000	5,000	(5,000)	10,000
<u>Total Other Financing Sources (Uses)</u>	10,000	23,254	13,254	85,993
<u>Net Change in Fund Balance</u>	(52,787)	(52,935)	101,512	2,212
<u>Fund Balances, Beginning of Year</u>	(110,139)	(110,139)	-	(112,351)
<u>Fund Balances, End of Year</u>	\$ (162,926)	\$ (163,074)	\$ 101,512	\$ (110,139)

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, 2022

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 its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Plan:							
2022	0.0087%	\$ 689,043	\$ 20,302	\$ 709,345	\$ 652,751	105.56%	76.7%
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:							
2022	0.0030%	130,548	-	130,548	36,746	355.27%	70.5%
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, 2022

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>					
2022	\$ 52,792	\$ 52,792	\$ -	\$ 703,885	7.50%
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>					
2022	6,384	6,384	-	36,067	17.70%
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, 2022

	<u>Last 10 Fiscal Years*</u>				
<u>For the Year Ended December 31:</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability (Asset):					
Service Cost	\$ 9,586	\$ 9,352	\$ 9,396	\$ 9,167	\$ 8,943
Interest Cost	14,314	13,998	13,785	12,596	11,491
Differences between expected and actual Assumption Changes	(14,110)	-	(8,444)	-	-
Benefit Payments	(14,464)	(22,600)	-	(5,940)	-
Net Change in Total Pension Liability (Asset)	(151)	750	14,755	15,823	20,434
Total Pension Liability - beginning	226,671	225,921	211,166	195,343	174,909
Total Pension Liability - ending (a)	<u>\$ 226,520</u>	<u>\$ 226,671</u>	<u>\$ 225,921</u>	<u>\$ 211,166</u>	<u>\$ 195,343</u>
Plan Fiduciary Net Position:					
Contribution - State and Local	\$ 22,687	\$ 21,824	\$ 20,348	\$ 19,446	\$ 24,084
Net Investment Income	25,571	73,658	70,704	(10,829)	50,603
Administrative Expenses	(1,650)	(1,799)	(599)	(599)	(2,399)
Benefit Payments	(14,464)	(22,600)	-	(5,940)	-
Net Change in Plan Fiduciary Net Position	32,144	71,083	90,453	2,078	72,288
Plan Fiduciary Net Position - beginning	504,575	433,492	343,039	340,961	268,673
Plan Fiduciary Net Position - ending (b)	<u>\$ 536,719</u>	<u>\$ 504,575</u>	<u>\$ 433,492</u>	<u>\$ 343,039</u>	<u>\$ 340,961</u>
 Net Pension Liability (Asset) - ending (a) - (b)	 \$ (310,199)	 \$ (277,904)	 \$ (207,571)	 \$ (131,873)	 \$ (145,618)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 236.94%	 222.60%	 191.88%	 162.45%	 174.54%
 Covered Payroll	 N/A	 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	 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, 2022

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
2022	\$ -	\$ -	\$ -	\$ 22,113	n/a	n/a
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, 2022

Last 10 Fiscal Years*

<u>For the Year Ended:</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2022	5.2%
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, 2022

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>
Total OPEB Liability		
Service Cost	\$ 214	\$ -
Interest	15,001	-
Assumption Changes	20,761	-
Differences between Expected and Actual Experience	(5,760)	754,805
Benefit payments	<u>(9,930)</u>	<u>-</u>
Net change in total OPEB liability	20,286	754,805
Total OPEB liability - beginning	<u>754,805</u>	<u>-</u>
Total OPEB liability - ending	<u>\$ 775,091</u>	<u>\$ 754,805</u>
Covered payroll	\$ 462,782	\$ 624,986
City's net OPEB liability as a percentage of covered payroll	167.49%	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, 2022

Note 1 – Budgetary Data

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

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

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

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

Expenditures in Excess of Budget

Expenditures exceed the budget in the following major funds for the year-ended December 31, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Golf Fund	\$ 297,644	\$ 246,814	\$ 50,830

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

Note 2 – Pensions

General Employees Fund

2022 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.5% 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes:

Changes in Actuarial Assumptions:

- The 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:

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

Changes in Plan Provisions:

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

2016 Changes:

Changes in Actuarial Assumptions:

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

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

2022 Changes:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

Changes in Plan Provisions:

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

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% 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.

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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.

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

- 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.

2015 Changes:

Changes in Plan Provisions:

- The post-retirement benefit increases 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.

Note 3 – Other Post-Employment Benefits

2022 Changes:

Changes in Actuarial Assumptions:

- The discount rate was changed from 2.00% to 1.84%

(Page intentionally left blank.)

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 233,823	\$ 369,330	\$ 158,755	\$ 761,908
Accounts Receivable	251	15,000	-	15,251
Due from Other Governments	-	-	1,465	1,465
Delinquent Property Taxes Receivable	-	-	3,279	3,279
Special Assessments Receivable	-	-	25,989	25,989
Prepaid Expenses	1,912	-	-	1,912
Total Assets	\$ 235,986	\$ 384,330	\$ 189,488	\$ 809,804
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 679	\$ -	\$ -	\$ 679
Accrued Salaries and Wages Payable	154	-	-	154
Due to Other Funds	4,684	48,824	-	53,508
Total Liabilities	5,517	48,824	-	54,341
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	-	-	29,268	29,268
<u>Fund Balances</u>				
Nonspendable	1,912	-	-	1,912
Restricted	165,140	51,000	140,334	356,474
Committed	65,448	-	19,886	85,334
Assigned	-	333,330	-	333,330
Unassigned	(2,031)	(48,824)	-	(50,855)
Total Fund Balances	230,469	335,506	160,220	726,195
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 235,986	\$ 384,330	\$ 189,488	\$ 809,804

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
<u>Revenues</u>				
General Property Taxes	\$ -	\$ -	\$ 55,105	\$ 55,105
Special Assessments	-	-	7,669	7,669
Tax Increments	42,115	-	-	42,115
Charges for Services	29,438	-	-	29,438
Intergovernmental Revenues	11,000	-	-	11,000
Interest Income	512	1,721	522	2,755
Donations and Grants	-	51,000	-	51,000
Other	26,620	-	-	26,620
<u>Total Revenues</u>	<u>109,685</u>	<u>52,721</u>	<u>63,296</u>	<u>225,702</u>
<u>Expenditures</u>				
Current:				
Economic Development	-	3,034	-	3,034
Culture and Recreation	64,719	-	-	64,719
Cemetery	10,641	-	-	10,641
Capital Outlay	-	145,884	-	145,884
Debt Service:				
Principal	-	-	65,131	65,131
Interest and Fiscal Charges	31,707	-	8,331	40,038
<u>Total Expenditures</u>	<u>107,067</u>	<u>148,918</u>	<u>73,462</u>	<u>329,447</u>
<u>Excess of Revenues</u>				
<u>Over (Under) Expenditures</u>	<u>2,618</u>	<u>(96,197)</u>	<u>(10,166)</u>	<u>(103,745)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Long Term Debt	-	116,090	-	116,090
Operating Transfers In	4,500	30,000	-	34,500
<u>Total Other Financing Sources (Uses)</u>	<u>4,500</u>	<u>146,090</u>	<u>-</u>	<u>150,590</u>
<u>Net Change in Fund Balance</u>	<u>7,118</u>	<u>49,893</u>	<u>(10,166)</u>	<u>46,845</u>
<u>Fund Balances, Beginning of Year</u>	<u>223,351</u>	<u>285,613</u>	<u>170,386</u>	<u>679,350</u>
<u>Fund Balances, End of Year</u>	<u>\$ 230,469</u>	<u>\$ 335,506</u>	<u>\$ 160,220</u>	<u>\$ 726,195</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022

	<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	\$ 2,659	\$ 65,260	\$ 32,637	\$ 133,267	\$ 233,823
Accounts Receivable	63	188	-	-	251
Prepaid Expenses	214	-	1,698	-	1,912
Total Assets	<u>\$ 2,936</u>	<u>\$ 65,448</u>	<u>\$ 34,335</u>	<u>\$ 133,267</u>	<u>\$ 235,986</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ -	\$ -	\$ 679	\$ -	\$ 679
Accrued Salaries and Wages Payable	69	-	85	-	154
Due to Other Funds	4,684	-	-	-	4,684
Total Liabilities	<u>4,753</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>5,517</u>
<u>Fund Balances</u>					
Nonspendable	214	-	1,698	-	1,912
Restricted	-	-	31,873	133,267	165,140
Committed	-	65,448	-	-	65,448
Unassigned	(2,031)	-	-	-	(2,031)
Total Fund Balances	<u>(1,817)</u>	<u>65,448</u>	<u>33,571</u>	<u>133,267</u>	<u>230,469</u>
Total Liabilities and Fund Balances	<u>\$ 2,936</u>	<u>\$ 65,448</u>	<u>\$ 34,335</u>	<u>\$ 133,267</u>	<u>\$ 235,986</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	<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>Revenues</u>					
Tax Increments	\$ -	\$ -	\$ -	\$ 42,115	\$ 42,115
Charges for Services	1,750	1,375	26,313	-	29,438
Intergovernmental Revenues	-	-	11,000	-	11,000
Interest Income	287	73	152	-	512
Other	43	-	26,577	-	26,620
<u>Total Revenues</u>	<u>2,080</u>	<u>1,448</u>	<u>64,042</u>	<u>42,115</u>	<u>109,685</u>
<u>Expenditures</u>					
Current:					
Culture and Recreation	-	-	64,719	-	64,719
Cemetery	10,641	-	-	-	10,641
Debt Service:					
Interest and Fiscal Charges	-	-	-	31,707	31,707
<u>Total Expenditures</u>	<u>10,641</u>	<u>-</u>	<u>64,719</u>	<u>31,707</u>	<u>107,067</u>
<u>Excess of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>(8,561)</u>	<u>1,448</u>	<u>(677)</u>	<u>10,408</u>	<u>2,618</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	4,500	-	-	-	4,500
<u>Net Change in Fund Balance</u>	<u>(4,061)</u>	<u>1,448</u>	<u>(677)</u>	<u>10,408</u>	<u>7,118</u>
<u>Fund Balances, Beginning of Year</u>	<u>2,244</u>	<u>64,000</u>	<u>34,248</u>	<u>122,859</u>	<u>223,351</u>
<u>Fund Balances, End of Year</u>	<u>\$ (1,817)</u>	<u>\$ 65,448</u>	<u>\$ 33,571</u>	<u>\$ 133,267</u>	<u>\$ 230,469</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022

	<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	\$ 320,374	\$ 12,956	\$ 36,000	\$ 369,330
Accounts Receivable	-	-	15,000	15,000
<u>Total Assets</u>	<u>\$ 320,374</u>	<u>\$ 12,956</u>	<u>\$ 51,000</u>	<u>\$ 384,330</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ -	\$ -	\$ 48,824	\$ 48,824
<u>Fund Balances</u>				
Restricted	-	-	51,000	51,000
Assigned	320,374	12,956	-	333,330
Unassigned	-	-	(48,824)	(48,824)
Total Fund Balances	<u>320,374</u>	<u>12,956</u>	<u>2,176</u>	<u>335,506</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 320,374</u>	<u>\$ 12,956</u>	<u>\$ 51,000</u>	<u>\$ 384,330</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	Fire Hall Maintenance Fund	Public Works Reserve Fund	Downtown Development Fund	Total Nonmajor Capital Project Funds
<u>Revenues</u>				
Interest Income	\$ 1,652	\$ 69	\$ -	\$ 1,721
Donations and Grants	-	-	51,000	51,000
Total Revenues	1,652	69	51,000	52,721
<u>Expenditures</u>				
Current:				
Economic Development	-	-	3,034	3,034
Capital Outlay	-	-	145,884	145,884
Total Expenditures	-	-	148,918	148,918
<u>Excess of Revenues</u>				
Over (Under) Expenditures	1,652	69	(97,918)	(96,197)
<u>Other Financing Sources (Uses)</u>				
Proceeds from Long Term Debt	-	-	116,090	116,090
Operating Transfers In	30,000	-	-	30,000
Total Other Financing Sources (Uses)	30,000	-	116,090	146,090
Net Change in Fund Balance	31,652	69	18,172	49,893
Fund Balances, Beginning of Year	288,722	12,887	(15,996)	285,613
Fund Balances, End of Year	\$ 320,374	\$ 12,956	\$ 2,176	\$ 335,506

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022

	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	\$ 7,019	\$ 86,370	\$ 52,634	\$ 12,732	\$ 158,755
Due from Other Governments	135	888	442	-	1,465
Delinquent Property Taxes Receivable	22	1,912	1,345	-	3,279
Special Assessments Receivable	-	-	-	25,989	25,989
Total Assets	\$ 7,176	\$ 89,170	\$ 54,421	\$ 38,721	\$ 189,488
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred Inflows of Resources					
Unavailable Revenue	\$ 22	\$ 1,912	\$ 1,345	\$ 25,989	\$ 29,268
Fund Balances					
Restricted	-	87,258	53,076	-	140,334
Committed	7,154	-	-	12,732	19,886
Total Fund Balances	7,154	87,258	53,076	12,732	160,220
Total Deferred Inflows of Resources and Fund Balances	\$ 7,176	\$ 89,170	\$ 54,421	\$ 38,721	\$ 189,488

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	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	\$ 135	\$ 36,984	\$ 17,986	\$ -	\$ 55,105
Special Assessments	-	1,698	-	5,971	7,669
Interest Income	46	196	266	14	522
Total Revenues	181	38,878	18,252	5,985	63,296
Expenditures					
Debt Service:					
Principal	4,983	40,000	15,000	5,148	65,131
Interest and Fiscal Charges	-	5,360	1,731	1,240	8,331
Total Expenditures	4,983	45,360	16,731	6,388	73,462
Net Change in Fund Balance	(4,802)	(6,482)	1,521	(403)	(10,166)
Fund Balances, Beginning of Year	11,956	93,740	51,555	13,135	170,386
Fund Balances, End of Year	\$ 7,154	\$ 87,258	\$ 53,076	\$ 12,732	\$ 160,220

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 354,900	\$ 410,591
Accounts Receivable	22,572	22,322
Special Assessments Receivable	103,867	113,145
Prepaid Expenses	2,327	1,464
Total Current Assets	483,666	547,522
<u>Capital Assets</u>		
Furniture & Fixtures	7,740	7,740
Other Improvements	2,206,387	2,206,387
Construction in Progress	-	28,185
	2,214,127	2,242,312
Less: Accumulated Depreciation and Amortization	(1,078,888)	(994,858)
Capital Assets, Net of Depreciation and Amortization	1,135,239	1,247,454
<u>Total Assets</u>	1,618,905	1,794,976
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	31,942	30,086
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	49,000	52,000
Accounts Payable	7,744	4,696
Sales Tax Payable	242	285
Accrued Interest Payable	7,727	7,727
Accrued Salaries and Wages Payable	3,652	3,652
Total Current Liabilities	68,365	68,360
<u>Long-Term Liabilities</u>		
Bonds Payable, Net of Unamortized Bond Discount	838,137	886,647
Less: Current Portion	(49,000)	(52,000)
Accrued Compensated Absences	7,037	5,465
Net Pension Liability	75,795	34,292
Total Long-Term Liabilities	871,969	874,404
<u>Total Liabilities</u>	940,334	942,764
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	907	32,917
<u>NET POSITION</u>		
Net Investment in Capital Assets	297,102	360,807
Restricted	32,060	22,319
Unrestricted	380,444	466,255
<u>Total Net Position</u>	\$ 709,606	\$ 849,381

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For The Year Ended December 31, 2021

	<u>2022</u>			<u>2021</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	
<u>Operating Revenues</u>				
Charges for Services	\$ 222,744	\$ 219,177	\$ (3,567)	\$ 220,225
<u>Operating Expenses</u>				
Personnel Services	105,830	109,038	(3,208)	86,141
Utilities	17,800	14,834	2,966	12,580
Supplies and Materials	14,450	11,673	2,777	16,998
Repairs and Maintenance	14,500	8,623	5,877	7,352
Contracted Services	4,700	4,074	626	9,764
Insurance	7,256	4,722	2,534	4,494
Depreciation and Amortization	13,000	84,519	(71,519)	84,519
Other Expenses	10,594	25,137	(14,543)	14,299
Total Operating Expenses	188,130	262,620	(74,490)	236,147
<u>Operating Income (Loss)</u>	34,614	(43,443)	(78,057)	(15,922)
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	1,750	6,411	4,661	1,481
Special Assessments	12,837	-	(12,837)	-
Miscellaneous	-	1,643	1,643	1,593
Interest Expense	(30,757)	(17,877)	12,880	(19,308)
Total Non-Operating Revenues (Expenses)	(16,170)	(9,823)	6,347	(16,234)
<u>Net Income (Loss) Before Operating Transfers</u>	18,444	(53,266)	(71,710)	(32,156)
<u>Operating Transfers</u>				
Transfer to Other Funds	-	(86,509)	(86,509)	-
<u>Change in Net Position</u>	18,444	(139,775)	(158,219)	(32,156)
<u>Net Position, Beginning of Year</u>	849,381	849,381	-	881,537
<u>Net Position, End of Year</u>	\$ 867,825	\$ 709,606	\$ (158,219)	\$ 849,381

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

	2022	2021
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 218,927	\$ 222,498
Cash Paid to Employees	(99,829)	(92,645)
Cash Paid to Suppliers	(66,921)	(67,527)
Net Cash Provided by (Used in) Operating Activities	52,177	62,326
 <u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	1,643	1,592
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Transfers to Other Funds	(58,323)	-
Purchases of Property and Equipment	-	(27,172)
Principal Paid on Bonds Payable	(49,000)	(48,163)
Special Assessment Collections	9,278	13,271
Interest and Fees Paid on Bonds	(17,877)	(19,308)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(115,922)	(81,372)
 <u>Cash Flows from Investing Activities</u>		
Interest Income	6,411	1,481
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(55,691)	(15,973)
 <u>Cash and Cash Equivalents, Beginning of Year</u>	410,591	426,564
 <u>Cash and Cash Equivalents, End of Year</u>	\$ 354,900	\$ 410,591

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

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

	<u>2022</u>	<u>2021</u>
<u>Operating Income (Loss)</u>	\$ (43,443)	\$ (15,922)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	84,519	84,519
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(250)	2,050
(Increase) Decrease in Due from Other Governments	-	223
(Increase) Decrease in Prepaid Expenses	(863)	-
(Increase) Decrease in Deferred Outflows of Resources	(1,856)	(19,154)
Increase (Decrease) in Accounts Payable	3,048	(2,029)
Increase (Decrease) in Sales Tax Payable	(43)	(11)
Increase (Decrease) in Accrued Compensated Absences	1,572	1,404
Increase (Decrease) in Deferred Inflows of Resources	(32,010)	28,395
Increase (Decrease) in Net Pension Liability	41,503	(17,149)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 52,177</u>	<u>\$ 62,326</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Asset Transfers to Governmental Funds	<u>\$ 28,186</u>	<u>\$ -</u>
---	------------------	-------------

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

	2022	2021
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 285,253	\$ 299,872
Accounts Receivable	23,799	23,199
Property Taxes Receivable	496	496
Special Assessments Receivable	60,964	66,852
Due from Other Governments	197	305
Prepaid Expenses	2,843	2,843
Total Current Assets	373,552	393,567
<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
	3,051,241	3,079,426
Less: Accumulated Depreciation and Amortization	(2,371,753)	(2,343,607)
Capital Assets, Net of Depreciation and Amortization	679,488	735,819
<u>Total Assets</u>	1,053,040	1,129,386
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	31,942	32,821
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	28,000	27,000
Accounts Payable	1,755	1,663
Accrued Interest Payable	1,681	1,681
Accrued Salaries and Wages Payable	3,845	3,845
Total Current Liabilities	35,281	34,189
<u>Long-Term Liabilities</u>		
Bonds Payable	56,644	83,644
Less: Current Portion	(28,000)	(27,000)
Accrued Compensated Absences	7,387	5,698
Net Pension Liability	75,795	37,409
Total Long-Term Liabilities	111,826	99,751
<u>Total Liabilities</u>	147,107	133,940
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	907	35,909
<u>NET POSITION</u>		
Net Investment in Capital Assets	622,844	652,175
Unrestricted	314,124	340,183
<u>Total Net Position</u>	\$ 936,968	\$ 992,358

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, 2022

With Comparative Amounts For The Year Ended December 31, 2021

	2022		Variance - Positive (Negative)	2021 Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 215,098	\$ 221,431	\$ 6,333	\$ 218,086
<u>Operating Expenses</u>				
Personnel Services	109,354	110,547	(1,193)	90,364
Utilities	26,500	26,451	49	17,986
Supplies and Materials	8,200	4,660	3,540	5,621
Repairs and Maintenance	12,600	52,409	(39,809)	15,758
Contracted Services	9,950	9,915	35	14,613
Insurance	9,663	8,128	1,535	7,978
Depreciation and Amortization	20,000	28,146	(8,146)	28,146
Other Expenses	7,200	5,791	1,409	6,592
Total Operating Expenses	<u>203,467</u>	<u>246,047</u>	<u>(42,580)</u>	<u>187,058</u>
<u>Operating Income (Loss)</u>	<u>11,631</u>	<u>(24,616)</u>	<u>(36,247)</u>	<u>31,028</u>
<u>Non-Operating Income (Expense)</u>				
Interest Income	750	4,347	3,597	1,185
Property Taxes	8,022	7,984	(38)	8,156
Special Assessments	8,209	2	(8,207)	-
Miscellaneous	-	2,192	2,192	2,490
Interest Expense	(4,699)	(2,087)	2,612	(3,212)
Total Non-Operating Income (Expense)	<u>12,282</u>	<u>12,438</u>	<u>156</u>	<u>8,619</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>23,913</u>	<u>(12,178)</u>	<u>(36,091)</u>	<u>39,647</u>
<u>Operating Transfers</u>				
Transfer to Other Funds	-	(86,509)	(86,509)	-
Transfer from Other Funds	-	43,297	43,297	-
Total Operating Transfers	<u>-</u>	<u>(43,212)</u>	<u>(43,212)</u>	<u>-</u>
<u>Change in Net Position</u>	<u>23,913</u>	<u>(55,390)</u>	<u>(79,303)</u>	<u>39,647</u>
<u>Net Position, Beginning of Year</u>	<u>992,358</u>	<u>992,358</u>	<u>-</u>	<u>952,711</u>
<u>Net Position, End of Year</u>	<u>\$ 1,016,271</u>	<u>\$ 936,968</u>	<u>\$ (79,303)</u>	<u>\$ 992,358</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

	2022	2021
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 220,939	\$ 218,570
Cash Paid to Employees	(104,595)	(96,893)
Cash Paid to Suppliers	(107,262)	(72,046)
Net Cash Provided by (Used in) Operating Activities	9,082	49,631
 <u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	2,192	2,490
Transfers From Other Funds	43,297	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	45,489	2,490
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Transfers To Other Funds	(58,324)	-
Purchases of Property and Equipment	-	(27,171)
Principal Paid on Bonds Payable	(27,000)	(26,000)
Property Taxes Proceeds	7,984	8,360
Special Assessment Proceeds	5,890	8,213
Interest and Fees Paid on Bonds	(2,087)	(3,212)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(73,537)	(39,810)
 <u>Cash Flows from Investing Activities</u>		
Interest Income	4,347	1,185
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(14,619)	13,496
 <u>Cash and Cash Equivalents, Beginning of Year</u>	299,872	286,376
 <u>Cash and Cash Equivalents, End of Year</u>	\$ 285,253	\$ 299,872

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
 With Comparative Amounts For December 31, 2021

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

	<u>2022</u>	<u>2021</u>
<u>Operating Income (Loss)</u>	\$ (24,616)	\$ 31,028
<u>Adjustments to Reconcile Operating Income (Loss) to</u> <u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	28,146	28,146
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(600)	304
(Increase) Decrease in Due from Other Governments	108	180
(Increase) Decrease in Deferred Outflows of Resources	879	(21,049)
Increase (Decrease) in Accounts Payable	92	(3,498)
Increase (Decrease) in Accrued Compensated Absences	1,689	1,470
Increase (Decrease) in Deferred Inflows of Resources	(35,002)	31,039
Increase (Decrease) in Net Pension Liability	38,386	(17,989)
	<u>\$ 9,082</u>	<u>\$ 49,631</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Asset Transfers to Governmental Funds	<u>\$ 28,185</u>	<u>\$ -</u>
---	------------------	-------------

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2022

With Comparative Amounts For December 31, 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 12,636	\$ 133,159
Cash on Hand	2,000	2,000
Accounts Receivable	18,471	14,544
Inventory	89,937	85,347
Prepaid Expenses	9,430	7,840
Total Current Assets	132,474	242,890
<u>Capital Assets</u>		
Land and Buildings	1,128,815	1,128,815
Furniture, Fixtures and Equipment	71,623	71,887
Other Improvements	46,054	54,634
Righ to Use Lease - Equipment	64,384	64,384
	1,310,876	1,319,720
Less: Accumulated Depreciation and Amortization	(400,042)	(359,950)
Capital Assets, Net of Depreciation and Amortization	910,834	959,770
<u>Non-Current Assets</u>		
Due from Other Funds	171,383	111,754
	1,214,691	1,314,414
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	139,383	103,933
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds and Leases Payable	42,944	12,386
Accounts Payable	89,798	137,629
Sales Taxes Payable	20,032	14,026
Accrued Salaries and Wages Payable	17,892	15,642
Accrued Interest Payable	4,517	-
Total Current Liabilities	175,183	179,683
<u>Long-Term Liabilities</u>		
Accrued Compensated Absences	21,275	16,711
Bonds and Leases Payable	683,480	695,866
Current Portion of Bonds and Leases Payable	(42,944)	(12,386)
Net Pension Liability	330,740	118,462
Total Long-Term Liabilities	992,551	818,653
	1,167,734	998,336
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	3,960	113,712
<u>NET POSITION</u>		
Net Investment in Capital Assets	227,354	223,058
Unrestricted	(44,974)	83,241
Total Net Position	\$ 182,380	\$ 306,299

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, 2022

With Comparative Amounts For December 31, 2021

	2022		Variance - Positive (Negative)	2021 Actual
	Original and Final Budget	Actual		
<u>Sales</u>	\$ 1,300,900	\$ 1,610,414	\$ 309,514	\$ 1,389,213
<u>Cost of Sales</u>	(798,000)	(951,968)	(153,968)	(812,019)
<u>Gross Profit</u>	502,900	658,446	155,546	577,194
<u>Operating Revenues</u>	-	28,091	28,091	22,577
<u>Total Gross Profit and Operating Revenues</u>	502,900	686,537	183,637	599,771
<u>Operating Expenses</u>				
Personnel Services	435,184	507,223	(72,039)	316,669
Utilities	43,700	56,077	(12,377)	41,782
Supplies and Materials	21,200	46,629	(25,429)	33,766
Advertising and Promotion	6,500	6,595	(95)	6,348
Repairs and Maintenance	10,000	12,053	(2,053)	5,700
Contracted Services	16,000	19,332	(3,332)	52,535
Insurance	25,069	21,674	3,395	19,748
Depreciation and Amortization	-	48,936	(48,936)	27,094
Other Expenses	59,217	70,498	(11,281)	67,492
Total Operating Expenses	616,870	789,017	(172,147)	571,134
<u>Operating Income</u>	(113,970)	(102,480)	11,490	28,637
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	2,000	881	(1,119)	1,127
State Aid	-	1,431	1,431	-
Rental Income	7,500	15,086	7,586	9,591
Interest Expense	(10,675)	(11,337)	(662)	(2,460)
Total Non-Operating Revenues	(1,175)	6,061	7,236	8,258
<u>Net Income (Loss) Before Operating Transfers</u>	(115,145)	(96,419)	18,726	36,895
<u>Operating Transfers</u>				
Transfer To Other Funds	(27,500)	(27,500)	-	(75,000)
<u>Change in Net Position</u>	(142,645)	(123,919)	18,726	(38,105)
<u>Net Position, Beginning of Year</u>	306,299	306,299	-	344,404
<u>Net Position, End of Year</u>	\$ 163,654	\$ 182,380	\$ 18,726	\$ 306,299

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
With Comparative Amounts For December 31, 2021

	2022	2021
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,634,578	\$ 1,407,129
Cash Paid to Employees	(433,333)	(301,348)
Cash Paid to Suppliers	(1,232,831)	(1,004,405)
Net Cash Provided by (Used in) Operating Activities	(31,586)	101,376
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers To Other Funds	(27,500)	(75,000)
Interfund Financing	(59,629)	4,215
State Aid	1,431	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(85,698)	(70,785)
<u>Cash Flows from Capital and Related Financing Activities</u>		
Debt Proceeds	-	650,000
Principal Paid on Lease Proceeds	(12,386)	(11,848)
Purchase of Property and Equipment	-	(748,868)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(12,386)	(110,716)
<u>Cash Flows from Investing Activities</u>		
Interest Income	881	1,127
Rental Income	15,086	9,591
Interest Paid	(6,820)	(2,460)
Net Cash Provided by (Used in) Investing Activities	9,147	8,258
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(120,523)	(71,867)
<u>Cash and Cash Equivalents, Beginning of Year</u>	135,159	207,026
<u>Cash and Cash Equivalents, End of Year</u>	\$ 14,636	\$ 135,159

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

<u>Operating Income (Loss)</u>	\$ (102,480)	\$ 28,637
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	48,936	27,094
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	(3,927)	(4,661)
(Increase) Decrease Inventory	(4,590)	2,376
(Increase) Decrease Prepaid Expenses	(1,590)	-
(Increase) Decrease Deferred Outflows of Resources	(35,450)	(73,661)
Increase (Decrease) Accounts Payable	(47,831)	28,947
Increase (Decrease) Sales Tax Payable	6,006	3,662
Increase (Decrease) Accrued Salaries and Wages Payable	2,250	7,581
Increase (Decrease) Accrued Compensated Absences	4,564	4,203
Increase (Decrease) Deferred Inflows of Resources	(109,752)	101,188
Increase (Decrease) Net Pension Liability	212,278	(23,990)
<u>Net Cash Provided by (Used in) Operating Activities</u>	\$ (31,586)	\$ 101,376

CITY OF BLACKDUCK, MINNESOTA
BLACKDUCK, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Direct Programs		
Community Facilities Loans and Grants Cluster		
Community Facilities Loans and Grants	10.766	\$ 1,656,149
U.S. Department of Transportation		
Pass-Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Recreational Trails Program	20.219	4,434
U.S. Department of Treasury		
Pass-Through Minnesota Department of Revenue		
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>58,297</u>
<u>Total Federal Expenditures</u>		<u>\$ 1,718,880</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of City of Blackduck Minnesota and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 – Indirect Cost Rate

The City of Blackduck, Minnesota has not elected to use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Federal Loans

The City of Blackduck, Minnesota was approved by the USDA Rural Utilities Service to receive a loan totaling \$1,965,000 to build a Maintenance Facility. Interim financing was received for the construction period. The balance owing at the end of the period was \$1,965,000.

(Page intentionally left blank.)



MILLER MCDONALD, INC.
Certified Public Accountants
513 Beltrami Avenue
P.O. Box 486
Bemidji, MN 56619
(218) 751 - 6300
Fax (218) 751 - 0782
www.millermcdonald.com

**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, 2022, 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 26, 2023.

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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

City of Blackduck, Minnesota

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Bemidji, Minnesota failed to comply with the provisions of deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minn. Stat. § 6.65*, except as described in the schedule of findings and questioned costs as item 2022-004. 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 Bemidji, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 questioned costs. 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 26, 2023
Bemidji, Minnesota



MILLER MCDONALD, INC.
Certified Public Accountants
513 Beltrami Avenue
P.O. Box 486
Bemidji, MN 56619
(218) 751 - 6300
Fax (218) 751 - 0782
www.millermcdonald.com

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Blackduck, Minnesota's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Blackduck, Minnesota's major federal programs for the year ended December 31, 2022. The City of Blackduck, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Blackduck, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Miller McDonald, Inc.

May 26, 2023
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

I. SUMMARY OF AUDITOR'S RESULTS.

Financial Statements

What type of auditor's report is issued? Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ X _____ Yes _____ No

Significant deficiency(ies) identified? _____ X _____ Yes _____ None Reported

Noncompliance material to the financial statements noted? _____ Yes _____ X _____ No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? _____ Yes _____ X _____ No

Significant deficiency(ies) identified? _____ Yes _____ X _____ None Reported

Type of auditor's report issued on compliance for major programs?

Community Facilities Loans and Grants Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ X _____ No

Identification of major programs:

<u>Program or Cluster</u>	<u>Federal Assistance Listing</u>
Department of Agriculture	
Community Facilities Loans and Grants	10.766

Dollar threshold for distinguishing type A or B programs: \$ 750,000

Auditee qualified as a low-risk auditee? _____ Yes _____ X _____ No

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

II. FINDINGS – FINANCIAL STATEMENT AUDIT.

Internal Control

Finding 2022-001: 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.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit 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.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Finding 2022-002: 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.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit 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.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Finding 2022-003 – 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.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the finding. Staff will continue to obtain training in reporting under GAAP.

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

Finding: 2022-004 – Contracting and Bidding

Condition: The City did not timely obtain a withholding affidavit certificate from the Commissioner of Revenue before making final settlement with contractors under contract with the City.

Criteria: Minn. Stat. § 270C.66 requires that before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors, that the municipality must obtain a withholding affidavit certificate from the Commissioner of Revenue.

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

Cause: The City did not obtain the withholding affidavit timely. In addition, the City does not have control procedures in place to determine if the withholding affidavit is obtained before final payment is made.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Recommendation: The City should obtain a withholding affidavit certificate before making final payment with contractors under contract with the City.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the finding. City employees will obtain withholding affidavit when the situation arises.

**IV. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT.**

INTERNAL CONTROL

None.

COMPLIANCE

None.

QUESTIONED COSTS

None.

CITY OF BLACKDUCK, MINNESOTA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2022

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.

Current: Finding unresolved, see 2022-001

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.

Current: Finding unresolved, see 2022-002

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.

Current: Finding unresolved, see 2022-003

Finding: 2021-004 – Public Indebtedness: Reporting

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

Current: Finding Resolved.