

**CITY OF BLACKDUCK, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2023**

**CITY OF BLACKDUCK, MINNESOTA**  
**DECEMBER 31, 2023**

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**CITY OF BLACKDUCK, MINNESOTA**  
**OFFICIAL DIRECTORY**  
**DECEMBER 31, 2023**  
**(Unaudited)**

		<b><u>Term Expires</u></b>
<b>Mayor</b>	<b>Maxwell Gullette</b>	<b>12/31/24</b>
<b>Vice-Mayor</b>	<b>Nick Seitz</b>	<b>12/31/24</b>
<b>Council</b>	<b>Donald Johnson</b>	<b>12/31/24</b>
	<b>Ronald Fredrickson</b>	<b>12/31/26</b>
	<b>Laurie Hamilton</b>	<b>12/31/26</b>
<b>Administrator</b>	<b>Christina Regas</b>	<b>Appointive</b>



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the 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, 2023, 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, 2023, 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.

## City of Blackduck, Minnesota

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 60 through 79, 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund schedules, comparative enterprise fund schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Information

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



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 June 21, 2024, 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.*

Bemidji, Minnesota  
June 21, 2024

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

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 \$5,210,759. Of this amount, \$693,895 may be used to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$1,770,784. Of this total amount, approximately 38%, or \$671,501 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 \$278,487.
- Total outstanding debt, including interfund debt, was \$3,845,007 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 \$3,263,000 or 85% 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.

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

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 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.

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

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.

*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 59 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 2023, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,210,759.

The largest portion of the City's net position, 61%, reflects its Net Investment in Capital Assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets:</b>						
Current and Other Assets	\$2,074,133	\$2,566,804	\$1,155,896	\$1,161,075	\$3,230,029	\$3,727,879
Capital Assets, Net of Depreciation	4,355,013	4,095,449	2,576,273	2,725,561	6,931,286	6,821,010
<b>Total Assets</b>	<b>6,429,146</b>	<b>6,662,253</b>	<b>3,732,169</b>	<b>3,886,636</b>	<b>10,161,315</b>	<b>10,548,889</b>
<b>Deferred Outflows of Resources</b>	<b>276,819</b>	<b>298,280</b>	<b>118,951</b>	<b>203,267</b>	<b>395,770</b>	<b>501,547</b>
<b>Liabilities:</b>						
Long-Term Liabilities Outstanding	2,742,549	3,164,163	1,497,072	1,613,960	4,239,621	4,778,123
Other Liabilities	298,150	550,575	463,688	641,215	761,838	1,191,790
<b>Total Liabilities</b>	<b>3,040,699</b>	<b>3,714,738</b>	<b>1,960,760</b>	<b>2,255,175</b>	<b>5,001,459</b>	<b>5,969,913</b>
<b>Deferred Inflows of Resources</b>	<b>247,413</b>	<b>179,084</b>	<b>97,454</b>	<b>5,774</b>	<b>344,867</b>	<b>184,858</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	2,055,325	1,700,419	1,124,164	1,147,300	3,179,489	2,847,719
Restricted	1,293,592	1,329,703	43,783	32,060	1,337,375	1,361,763
Unrestricted	68,936	36,589	624,959	649,594	693,895	686,183
<b>Total Net Position</b>	<b>\$3,417,853</b>	<b>\$3,066,711</b>	<b>\$1,792,906</b>	<b>\$1,828,954</b>	<b>\$5,210,759</b>	<b>\$4,895,665</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

A portion of the City's net position, approximately 26%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$625,440, may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental Activities** – Net position of the City's governmental activities increased by \$351,142.

**Business-type Activities** – Net position of the City's business-type activities decreased by \$36,048.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 412,483	\$ 331,364	\$2,132,580	\$2,077,341	\$2,545,063	\$2,408,705
Operating Grants and Contributions	80,828	120,506	-	1,431	80,828	121,937
Capital Grants and Contributions	110,000	160,000	-	-	110,000	160,000
<b>General Revenues:</b>						
Property Taxes and Special Assessments	402,433	379,193	9,222	7,986	411,655	387,179
Grants and aids Not Restricted for Specific Programs	411,085	348,567	-	-	411,085	348,567
Fines and Fees	172	113	-	-	172	113
Interest Income	32,588	11,996	20,270	11,411	52,858	23,407
Rental Income	-	-	12,401	15,086	12,401	15,086
Other	36,828	52,634	8,698	5,835	45,526	58,469
<b>Total Revenues</b>	<b>1,486,417</b>	<b>1,404,373</b>	<b>2,183,171</b>	<b>2,119,090</b>	<b>3,669,588</b>	<b>3,523,463</b>
<b>Expenses:</b>						
General Government	334,532	229,350	-	-	334,532	229,350
Public Safety	38,022	128,159	-	-	38,022	128,159
Streets and Highways	288,577	297,823	-	-	288,577	297,823
Economic Development	27,398	25,190	-	-	27,398	25,190
Culture and Recreation	355,367	334,314	-	-	355,367	334,314
Cemetery	9,380	10,564	-	-	9,380	10,564
Interest and Fiscal Fees	79,983	64,315	-	-	79,983	64,315
Municipal Water	-	-	314,164	280,497	314,164	280,497
Municipal Sewage Disposal	-	-	233,971	248,134	233,971	248,134
Municipal Liquor Store	-	-	1,673,100	1,752,322	1,673,100	1,752,322
<b>Total Expenses</b>	<b>1,133,259</b>	<b>1,089,715</b>	<b>2,221,235</b>	<b>2,280,953</b>	<b>3,354,494</b>	<b>3,370,668</b>
<b>Increase (Decrease) in Net Position Before Transfers and Special Items</b>	<b>353,158</b>	<b>314,658</b>	<b>(38,064)</b>	<b>(161,863)</b>	<b>315,094</b>	<b>152,795</b>
<b>Transfers</b>	<b>(2,016)</b>	<b>157,221</b>	<b>2,016</b>	<b>(157,221)</b>	<b>-</b>	<b>-</b>
<b>Special Item - Voluntary Return of Restricted Funds</b>	<b>-</b>	<b>(18,705)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,705)</b>
<b>Change in Net Position</b>	<b>351,142</b>	<b>453,174</b>	<b>(36,048)</b>	<b>(319,084)</b>	<b>315,094</b>	<b>134,090</b>
<b>Net Position, Beginning of Year</b>	<b>3,066,711</b>	<b>2,613,537</b>	<b>1,828,954</b>	<b>2,148,038</b>	<b>4,895,665</b>	<b>4,761,575</b>
<b>Net Position, End of Year</b>	<b>\$3,417,853</b>	<b>\$3,066,711</b>	<b>\$1,792,906</b>	<b>\$1,828,954</b>	<b>\$5,210,759</b>	<b>\$4,895,665</b>

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

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

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

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

*Financial Analysis of the Government's Funds*

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

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

At the end of the 2023 fiscal year, the City's governmental funds reported combined fund balances of \$1,770,784. Approximately 15.7% of this total amount, or \$278,487, 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 \$155,531, restricted use of \$943,752 and designated by the City of \$393,014. The restricted funds could be used for the following: \$19,443 for revolving loans; \$55,327 for debt repayment; \$591,423 for special equipment; \$160,170 for tax increment financing districts; \$57,952 for road maintenance; \$36,000 for economic development; and \$23,437 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 (\$73,099), municipal sewage \$347,089, and municipal water \$350,969. Restricted net position in the municipal water fund was \$43,783 for repairs and maintenance. Total net position before operating transfers for the current year ended decreased in the municipal water fund and increased in the municipal sewage disposal fund and the municipal liquor store fund.

*General Fund Budgetary Highlights*

The City did not revise its 2023 budget during the year. The 2023 budget for the General Fund anticipated expenditures and other financing uses in excess of revenues and other financing sources

**CITY OF BLACKDUCK, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

of \$0. Actual results for the General Fund for 2023 show revenues and other financing sources in excess of expenditures and other financing of \$250,395.

*Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023 amounts to \$6,931,286 (net of accumulated depreciation and amortization). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land and Buildings	\$ 3,277,291	\$ 1,240,322	\$ 3,418,489	\$ 3,418,489	\$ 6,695,780	\$ 4,658,811
Furniture, Fixtures, and Equipment	1,843,670	1,263,314	94,278	97,390	1,937,948	1,360,704
Other Improvements	1,416,807	1,389,831	2,995,981	2,995,981	4,412,788	4,385,812
Construction in Progress	-	2,107,853	-	-	-	2,107,853
Right to Use Lease - Equipment	241,368	241,368	64,384	64,384	305,752	305,752
Less Accumulated Depreciation and Amortization	(2,424,123)	(2,147,239)	(3,996,859)	(3,850,683)	(6,420,982)	(5,997,922)
Total	\$ 4,355,013	\$ 4,095,449	\$ 2,576,273	\$ 2,725,561	\$ 6,931,286	\$ 6,821,010

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 \$3,845,007 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	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 28,000	\$2,007,000	\$ -	\$ -	\$ 28,000	\$2,007,000
G.O. Special Assessment Bonds	-	15,000	23,000	34,000	23,000	49,000
General Obligation Revenue Bonds	1,975,000	20,000	1,265,000	1,340,000	3,240,000	1,360,000
Leases Payable	113,512	146,683	13,840	33,480	127,352	180,163
Notes Payable	271,011	290,635	155,644	176,644	426,655	467,279
Total	\$2,387,523	\$2,479,318	\$ 1,457,484	\$ 1,584,124	\$3,845,007	\$4,063,442

A total of \$2,182,303 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 2024 budget, rates, tax levy and fees, and as a result, the 2024 levy increased from 2023. 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, 2023**

*Requests for Information*

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



**CITY OF BLACKDUCK, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,795,978	\$ 707,109	\$ 2,503,087
Accounts Receivable	12,747	51,606	64,353
Special Assessments Receivable	15,526	149,567	165,093
Internal Balances	(136,088)	136,088	-
Due from Other Governments	3,487	91	3,578
Notes Receivable	38,871	-	38,871
Delinquent Property Taxes Receivable	20,007	496	20,503
Inventory	-	88,758	88,758
Prepaid Expenses	29,472	22,181	51,653
Net Pension Asset	294,133	-	294,133
Capital Assets:			
Non-Depreciable Assets	534,228	39,487	573,715
Depreciable Capital Assets, Net of Depreciation and Amortization	3,820,785	2,536,786	6,357,571
<b><u>Total Assets</u></b>	<b>6,429,146</b>	<b>3,732,169</b>	<b>10,161,315</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources Related to Pensions	263,476	118,951	382,427
Deferred Outflows of Resources Related to OPEB	13,343	-	13,343
<b><u>Total Deferred Outflows of Resources</u></b>	<b>276,819</b>	<b>118,951</b>	<b>395,770</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	20,753	65,942	86,695
Sales Tax Payable	-	12,384	12,384
Accrued Interest Payable	18,901	11,598	30,499
Accrued Salaries and Wages Payable	20,668	25,389	46,057
Due to Other Governments	1,715	-	1,715
Unearned Revenues	17,735	-	17,735
Noncurrent Liabilities			
Due Within One Year	103,660	102,487	206,147
Due in More Than One Year	2,217,134	1,394,585	3,611,719
Net Pension Liability - More Than One Year	218,378	348,375	566,753
OPEB Liability - More Than One Year	421,755	-	421,755
<b><u>Total Liabilities</u></b>	<b>3,040,699</b>	<b>1,960,760</b>	<b>5,001,459</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows of Resources Related to Pensions	247,413	97,454	344,867
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	2,055,325	1,124,164	3,179,489
Restricted for Economic Development	215,736	-	215,736
Restricted for Debt Service	50,553	-	50,553
Restricted for Capital Projects	648,616	-	648,616
Restricted for Pensions	316,793	-	316,793
Restricted for Other Purposes	61,894	43,783	105,677
Unrestricted	68,936	624,959	693,895
<b><u>Total Net Position</u></b>	<b>\$ 3,417,853</b>	<b>\$ 1,792,906</b>	<b>\$ 5,210,759</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

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	
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 334,532	\$ 44,294	\$ 9,250	\$ -	\$ (280,988)	\$ -	\$ (280,988)
Public Safety	38,022	86,354	57,766	110,000	216,098	-	216,098
Streets and Highways	288,577	-	-	-	(288,577)	-	(288,577)
Economic Development	27,398	-	-	-	(27,398)	-	(27,398)
Culture and Recreation	355,367	280,034	13,812	-	(61,521)	-	(61,521)
Cemetery	9,380	1,801	-	-	(7,579)	-	(7,579)
Interest and Fiscal Fees	79,983	-	-	-	(79,983)	-	(79,983)
<b>Total Governmental Activities</b>	<b>1,133,259</b>	<b>412,483</b>	<b>80,828</b>	<b>110,000</b>	<b>(529,948)</b>	<b>-</b>	<b>(529,948)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Municipal Water	314,164	218,707	-	-	-	(95,457)	(95,457)
Municipal Sewage Disposal	233,971	221,036	-	-	-	(12,935)	(12,935)
Municipal Liquor Store	1,673,100	1,692,837	-	-	-	19,737	19,737
<b>Total Business-Type Activities</b>	<b>2,221,235</b>	<b>2,132,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,655)</b>	<b>(88,655)</b>
<b>Total Primary Government</b>	<b>\$ 3,354,494</b>	<b>\$ 2,545,063</b>	<b>\$ 80,828</b>	<b>\$ 110,000</b>	<b>(529,948)</b>	<b>(88,655)</b>	<b>(618,603)</b>
<b>General Revenues:</b>							
Property Taxes and Special Assessments					402,433	9,222	411,655
Grants and Aids Not Restricted for Specific Programs					411,085	-	411,085
Fines and Fees					172	-	172
Interest Income					32,588	20,270	52,858
Rental Income					-	12,401	12,401
Other					36,828	8,698	45,526
Transfers In (Out)					(2,016)	2,016	-
<b>Total General Revenues and Transfers</b>					<b>881,090</b>	<b>52,607</b>	<b>933,697</b>
<b>Change in Net Position</b>					<b>351,142</b>	<b>(36,048)</b>	<b>315,094</b>
<b>Net Position, Beginning of Year</b>					<b>3,066,711</b>	<b>1,828,954</b>	<b>4,895,665</b>
<b>Net Position, End of Year</b>					<b>\$ 3,417,853</b>	<b>\$ 1,792,906</b>	<b>\$ 5,210,759</b>

See Accompanying Notes to Financial Statements

**CITY OF BLACKDUCK, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

	General Fund	Golf Fund	Revolving Loan Fund	Fire Hall Maintenance Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 516,495	\$ -	\$ 328,412	\$ -	\$ 591,423	\$ 359,648	\$ 1,795,978
Accounts Receivable	9,507	2,739	-	-	-	501	12,747
Due from Other Funds	45,875	-	-	-	-	-	45,875
Due from Other Governments	3,103	207	-	-	-	177	3,487
Notes Receivable	-	-	126,059	-	-	-	126,059
Delinquent Property Taxes Receivable	18,127	535	-	-	-	1,345	20,007
Special Assessments Receivable	-	-	-	-	-	15,526	15,526
Prepaid Expenses	24,938	2,622	-	-	-	1,912	29,472
<b>Total Assets</b>	<b>\$ 618,045</b>	<b>\$ 6,103</b>	<b>\$ 454,471</b>	<b>\$ -</b>	<b>\$ 591,423</b>	<b>\$ 379,109</b>	<b>\$ 2,049,151</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 19,570	\$ 359	\$ -	\$ -	\$ -	\$ 824	\$ 20,753
Accrued Salaries and Wages Payable	18,271	2,243	-	-	-	154	20,668
Due to Other Governments	1,715	-	-	-	-	-	1,715
Due to Other Funds	-	161,088	-	-	-	20,875	181,963
Unearned Revenues	17,735	-	-	-	-	-	17,735
<b>Total Liabilities</b>	<b>57,291</b>	<b>163,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,853</b>	<b>242,834</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue	18,127	535	-	-	-	16,871	35,533
<b>Fund Balances</b>							
Nonspendable	24,938	2,622	126,059	-	-	1,912	155,531
Restricted	57,952	-	19,443	-	591,423	274,934	943,752
Committed	-	-	308,969	-	-	80,707	389,676
Assigned	-	-	-	-	-	3,338	3,338
Unassigned	459,737	(160,744)	-	-	-	(20,506)	278,487
<b>Total Fund Balances</b>	<b>542,627</b>	<b>(158,122)</b>	<b>454,471</b>	<b>-</b>	<b>591,423</b>	<b>340,385</b>	<b>1,770,784</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 618,045</b>	<b>\$ 6,103</b>	<b>\$ 454,471</b>	<b>\$ -</b>	<b>\$ 591,423</b>	<b>\$ 379,109</b>	<b>\$ 2,049,151</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

<b>FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 1,770,784</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
 <b>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:</b>		
Cost	\$ 6,779,136	
Less Accumulated Depreciation and Amortization	<u>(2,424,123)</u>	4,355,013
 <b>Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.</b>		
		35,533
 <b>Inter-governmental receivable is reported in the governmental funds but are not in the governmental activities.</b>		
		(87,188)
 <b>Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.</b>		
		(21,108)
 <b>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.</b>		
		(2,939,819)
 <b>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</b>		
		(18,901)
 <b>Amounts pertaining to the Blackduck Fire Relief Association pension plan are not current financial resources and, therefore, are not reported in governmental funds:</b>		
Net Pension Asset	294,133	
Deferred Outflows of Resources	38,276	
Deferred Inflows of Resources	<u>(15,616)</u>	316,793
 <b>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:</b>		
Deferred Outflows of Resources	238,543	
Deferred Inflows of Resources	<u>(231,797)</u>	<u>6,746</u>
 <b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		 <b><u>\$ 3,417,853</u></b>

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, 2023**

	General Fund	Golf Fund	Revolving Loan Fund	Fire Hall Maintenance Fund	Fire Dept Special Equipment	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes and Special Assessments	\$ 319,679	\$ 21,317	\$ -	\$ -	\$ -	\$ 29,334	\$ 370,330
Licenses and Permits	2,967	-	-	-	-	-	2,967
Intergovernmental Revenues	468,998	-	-	-	-	11,000	479,998
Tax Increments	-	-	-	-	-	39,183	39,183
Charges for Services	127,681	251,149	-	-	-	24,931	403,761
Fines and Fees	172	-	-	-	-	-	172
Interest Income	3,458	-	14,303	5,531	5,239	4,173	32,704
Donations and Grants	-	2,812	-	-	110,000	9,250	122,062
Other	22,205	3,552	-	-	-	372	26,129
<b>Total Revenues</b>	<b>945,160</b>	<b>278,830</b>	<b>14,303</b>	<b>5,531</b>	<b>115,239</b>	<b>118,243</b>	<b>1,477,306</b>
<b>Expenditures</b>							
Current:							
General Government	194,227	-	-	-	-	-	194,227
Public Safety	286,676	-	-	-	-	-	286,676
Streets and Highways	215,097	-	-	-	-	-	215,097
Economic Development	-	-	2,208	-	-	2,458	4,666
Culture and Recreation	61,837	215,386	-	-	-	28,522	305,745
Cemetery	-	-	-	-	-	8,770	8,770
Capital Outlay	77,304	16,854	-	355,905	130,743	220,262	801,068
Debt Service:							
Principal	27,214	43,015	-	-	-	23,015	93,244
Interest and Fiscal Charges	4,641	3,623	-	-	-	62,917	71,181
<b>Total Expenditures</b>	<b>866,996</b>	<b>278,878</b>	<b>2,208</b>	<b>355,905</b>	<b>130,743</b>	<b>345,944</b>	<b>1,980,674</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>78,164</b>	<b>(48)</b>	<b>12,095</b>	<b>(350,374)</b>	<b>(15,504)</b>	<b>(227,701)</b>	<b>(503,368)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from Sale of Assets	112,739	-	-	-	-	32,384	145,123
Principal Payments Refunded Bond	-	-	-	-	-	(1,965,000)	(1,965,000)
Insurance Proceeds	14,251	-	-	-	-	-	14,251
Proceeds from Long Term Debt	-	-	-	-	-	1,965,000	1,965,000
Operating Transfers In	141,757	5,000	-	30,000	5,000	47,948	229,705
Operating Transfers Out	(96,516)	-	-	-	-	(135,205)	(231,721)
<b>Total Other Financing Sources (Uses)</b>	<b>172,231</b>	<b>5,000</b>	<b>-</b>	<b>30,000</b>	<b>5,000</b>	<b>(54,873)</b>	<b>157,358</b>
<b>Net Change in Fund Balance</b>	<b>250,395</b>	<b>4,952</b>	<b>12,095</b>	<b>(320,374)</b>	<b>(10,504)</b>	<b>(282,574)</b>	<b>(346,010)</b>
<b>Fund Balances, Beginning of Year</b>	<b>292,232</b>	<b>(163,074)</b>	<b>442,376</b>	<b>320,374</b>	<b>601,927</b>	<b>622,959</b>	<b>2,116,794</b>
<b>Fund Balances, End of Year</b>	<b>\$ 542,627</b>	<b>\$ (158,122)</b>	<b>\$ 454,471</b>	<b>\$ -</b>	<b>\$ 591,423</b>	<b>\$ 340,385</b>	<b>\$ 1,770,784</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (346,010)

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	\$ 787,880	
Depreciation and Amortization	<u>(313,243)</u>	474,637

Disposals of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (215,073)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (7,744)

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. (6,064)

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. (1,965,000)

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	1,989,000	
Special Assessment Bonds	15,000	
Other Debt	19,624	
Lease Liability	33,171	
Net Amortization of Bond Discount	<u>(644)</u>	2,056,151

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. (6,118)

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	49,909	
Cost of Benefits Earned Net of Employee Contributions	<u>316,454</u>	<u>366,363</u>

CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES \$ 351,142

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

	Business-Type Activities - Enterprise Funds			Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Liquor Store Fund	2023	2022
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 356,230	\$ 337,437	\$ 13,442	\$ 707,109	\$ 654,789
Accounts Receivable	22,572	23,799	5,235	51,606	64,842
Property Taxes Receivable	-	587	-	587	693
Special Assessments Receivable	94,561	55,006	-	149,567	164,831
Inventory	-	-	88,758	88,758	89,937
Prepaid Expenses	4,105	5,413	12,663	22,181	14,600
<b>Total Current Assets</b>	<b>477,468</b>	<b>422,242</b>	<b>120,098</b>	<b>1,019,808</b>	<b>989,692</b>
<b>Capital Assets</b>					
Land and Buildings	-	16,400	1,128,815	1,145,215	3,418,488
Furniture, Fixtures and Equipment	7,740	18,027	68,511	94,278	97,390
Other Improvements	2,206,387	3,016,814	46,054	5,269,255	2,995,982
Right to Use Lease - Equipment	-	-	64,384	64,384	64,384
	2,214,127	3,051,241	1,307,764	6,573,132	6,576,244
Less: Accumulated Depreciation and Amortization	(1,162,918)	(2,395,371)	(438,570)	(3,996,859)	(3,850,683)
<b>Capital Assets, Net of Depreciation and Amortization</b>	<b>1,051,209</b>	<b>655,870</b>	<b>869,194</b>	<b>2,576,273</b>	<b>2,725,561</b>
<b>Noncurrent Assets</b>					
Due from Other Funds	-	-	136,088	136,088	171,383
<b>Total Assets</b>	<b>1,528,677</b>	<b>1,078,112</b>	<b>1,125,380</b>	<b>3,732,169</b>	<b>3,886,636</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows Related to Pensions	20,391	20,391	78,169	118,951	203,267
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Current Portion of Bonds and Leases Payable	49,000	16,644	36,843	102,487	119,944
Accounts Payable	4,579	3,120	58,243	65,942	99,297
Sales Tax Payable	391	-	11,993	12,384	20,274
Accrued Interest Payable	6,862	357	4,379	11,598	13,925
Accrued Salaries and Wages Payable	3,652	3,845	17,892	25,389	25,389
<b>Total Current Liabilities</b>	<b>64,484</b>	<b>23,966</b>	<b>129,350</b>	<b>217,800</b>	<b>278,829</b>
<b>Long-Term Liabilities</b>					
Bonds and Leases Payable, Net of Unamortized Bond Discount	789,625	28,644	633,840	1,452,109	1,578,261
Less: Current Portion	(49,000)	(16,644)	(36,843)	(102,487)	(119,944)
Compensated Absences	11,195	11,794	21,974	44,963	35,699
Net Pension Liability	59,722	59,722	228,931	348,375	482,330
<b>Total Long-Term Liabilities</b>	<b>811,542</b>	<b>83,516</b>	<b>847,902</b>	<b>1,742,960</b>	<b>1,976,346</b>
<b>Total Liabilities</b>	<b>876,026</b>	<b>107,482</b>	<b>977,252</b>	<b>1,960,760</b>	<b>2,255,175</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Pensions	16,706	16,706	64,042	97,454	5,774
<b>NET POSITION</b>					
Net Investment in Capital Assets	261,584	627,226	235,354	1,124,164	1,147,300
Restricted	43,783	-	-	43,783	32,060
Unrestricted	350,969	347,089	(73,099)	624,959	649,594
<b>Total Net Position</b>	<b>\$ 656,336</b>	<b>\$ 974,315</b>	<b>\$ 162,255</b>	<b>\$ 1,792,906</b>	<b>\$ 1,828,954</b>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>	
	<u>Municipal Water Fund</u>	<u>Municipal Sewage Disposal Fund</u>	<u>Municipal Liquor Store Fund</u>	<u>2023</u>	<u>2022</u>
<b><u>Sales and Cost of Sales</u></b>					
Sales	\$ -	\$ -	\$ 1,671,654	\$ 1,671,654	\$ 1,610,414
Cost of Sales	-	-	(947,033)	(947,033)	(951,968)
Gross Profit	-	-	724,621	724,621	658,446
<b><u>Operating Revenues</u></b>	<b>218,472</b>	<b>220,901</b>	<b>25,202</b>	<b>464,575</b>	<b>468,699</b>
<b><u>Total Gross Profit and Operating Revenues</u></b>	<b>218,472</b>	<b>220,901</b>	<b>749,823</b>	<b>1,189,196</b>	<b>1,127,145</b>
<b><u>Operating Expenses</u></b>					
Personnel Services	129,601	132,914	448,761	711,276	726,808
Utilities	13,786	21,770	44,354	79,910	97,362
Supplies and Materials	11,942	8,339	12,882	33,163	62,962
Advertising and Printing	-	-	9,363	9,363	6,595
Repairs and Maintenance	16,953	4,897	4,541	26,391	73,085
Contracted Services	15,164	19,248	33,787	68,199	33,321
Insurance	8,073	10,421	27,159	45,653	34,524
Depreciation and Amortization	84,030	23,618	48,261	155,909	161,601
Other Expenses	17,489	12,056	76,731	106,276	101,426
Total Operating Expenses	297,038	233,263	705,839	1,236,140	1,297,684
<b><u>Operating Income (Loss)</u></b>	<b>(78,566)</b>	<b>(12,362)</b>	<b>43,984</b>	<b>(46,944)</b>	<b>(170,539)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>					
Interest Income	10,693	8,494	1,218	20,405	11,639
Rental Income	-	-	12,401	12,401	15,086
Miscellaneous	1,971	2,943	-	4,914	5,266
Property Taxes	-	9,170	-	9,170	7,984
Special Assessments	-	52	-	52	2
Interest Expense	(17,126)	(708)	(20,228)	(38,062)	(31,301)
Total Non-Operating Revenues (Expenses)	(4,462)	19,951	(6,609)	8,880	8,676
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<b>(83,028)</b>	<b>7,589</b>	<b>37,375</b>	<b>(38,064)</b>	<b>(161,863)</b>
<b><u>Operating Transfers</u></b>					
Transfer to Other Funds	-	-	(57,500)	(57,500)	(200,518)
Transfer from Other Funds	29,758	29,758	-	59,516	43,297
Total Operating Transfers	29,758	29,758	(57,500)	2,016	(157,221)
<b><u>Change in Net Position</u></b>	<b>(53,270)</b>	<b>37,347</b>	<b>(20,125)</b>	<b>(36,048)</b>	<b>(319,084)</b>
<b><u>Net Position, Beginning of Year</u></b>	<b>709,606</b>	<b>936,968</b>	<b>182,380</b>	<b>1,828,954</b>	<b>2,148,038</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 656,336</b>	<b>\$ 974,315</b>	<b>\$ 162,255</b>	<b>\$ 1,792,906</b>	<b>\$ 1,828,954</b>

See Accompanying Notes to Financial Statements.



**CITY OF BLACKDUCK, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For Year Ended December 31, 2022

**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>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Disposal</u>	<u>Store</u>		
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
<b><u>Cash Flows from Operating Activities</u></b>					
Cash Received from Customers	\$ 218,472	\$ 220,901	\$ 1,710,092	\$ 2,149,465	\$ 2,074,444
Cash Paid to Employees	(114,166)	(117,230)	(428,575)	(659,971)	(637,757)
Cash Paid to Suppliers	(88,201)	(77,936)	(1,197,498)	(1,363,635)	(1,407,014)
<b><u>Net Cash Provided by (Used in)</u></b>					
<b><u>Operating Activities</u></b>	<u>16,105</u>	<u>25,735</u>	<u>84,019</u>	<u>125,859</u>	<u>29,673</u>
<b><u>Cash Flows from Non-Capital</u></b>					
<b><u>Financing Activities</u></b>					
Miscellaneous Revenue	1,971	2,943	-	4,914	5,266
Interfund Financing	-	-	35,295	35,295	(59,629)
Transfers To Other Funds	-	-	(57,500)	(57,500)	(27,500)
Transfers From Other Funds	29,758	29,758	-	59,516	43,297
<b><u>Net Cash Provided by (Used in) Non-Capital</u></b>					
<b><u>Financing Activities</u></b>	<u>31,729</u>	<u>32,701</u>	<u>(22,205)</u>	<u>42,225</u>	<u>(38,566)</u>
<b><u>Cash Flows from Capital and</u></b>					
<b><u>Related Financing Activities</u></b>					
Transfers To Other Funds	-	-	-	-	(116,647)
Purchase of Property and Equipment	-	-	(6,621)	(6,621)	-
Principal Paid on Leases Payable	-	-	(19,640)	(19,640)	(12,386)
Principal Paid on Debt	(48,512)	(28,000)	(30,000)	(106,512)	(76,000)
Property Taxes Proceeds	-	9,276	-	9,276	7,984
Special Assessment Proceeds	9,306	6,010	-	15,316	15,168
Interest and Fees Paid on Bonds	(17,991)	(2,032)	(20,366)	(40,389)	(26,784)
<b><u>Net Cash Provided by (Used in) Capital</u></b>					
<b><u>and Related Financing Activities</u></b>	<u>(57,197)</u>	<u>(14,746)</u>	<u>(76,627)</u>	<u>(148,570)</u>	<u>(208,665)</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Interest Income	10,693	8,494	1,218	20,405	11,639
Rental Income	-	-	12,401	12,401	15,086
<b><u>Net Cash Provided by (Used in)</u></b>					
<b><u>Investing Activities</u></b>	<u>10,693</u>	<u>8,494</u>	<u>13,619</u>	<u>32,806</u>	<u>26,725</u>
<b><u>Net Increase (Decrease) in</u></b>					
<b><u>Cash and Cash Equivalents</u></b>	<u>1,330</u>	<u>52,184</u>	<u>(1,194)</u>	<u>52,320</u>	<u>(190,833)</u>
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	<u>354,900</u>	<u>285,253</u>	<u>14,636</u>	<u>654,789</u>	<u>845,622</u>
<b><u>Cash and Cash Equivalents, End of Year</u></b>	<u>\$ 356,230</u>	<u>\$ 337,437</u>	<u>\$ 13,442</u>	<u>\$ 707,109</u>	<u>\$ 654,789</u>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For Year Ended December 31, 2022

**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>2023</u>	<u>2022</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>			
<b><u>Operating Income (Loss)</u></b>	<b>\$ (78,566)</b>	<b>\$ (12,362)</b>	<b>\$ 43,984</b>	<b>\$ (46,944)</b>	<b>\$ (170,539)</b>
<b><u>Adjustments to Reconcile Operating</u></b>					
<b><u>Income (Loss) to Net Cash Provided by</u></b>					
<b><u>(Used in) Operating Activities</u></b>					
Depreciation and Amortization	84,030	23,618	48,261	155,909	161,601
Changes in Assets, Liabilities and Deferrals					
(Increase) Decrease in:					
Accounts Receivable	-	-	13,236	13,236	(4,777)
Due from Other Governments	-	-	-	-	108
Inventory	-	-	1,179	1,179	(4,590)
Prepaid Expenses	(1,778)	(2,570)	(3,233)	(7,581)	(2,453)
Deferred Outflows of Resources	11,551	11,551	61,214	84,316	(36,427)
Increase (Decrease) in:					
Accounts Payable	(3,165)	1,365	(31,555)	(33,355)	(44,691)
Sales Tax Payable	149	-	(8,039)	(7,890)	5,963
Accrued Salaries and Wages Payable	-	-	-	-	2,250
Accrued Compensated Absences	4,158	4,407	699	9,264	7,825
Deferred Inflows of Resources	15,799	15,799	60,082	91,680	(176,764)
Net Pension Liability	(16,073)	(16,073)	(101,809)	(133,955)	292,167
<b><u>Net Cash Provided by (Used in)</u></b>					
<b><u>Operating Activities</u></b>	<b>\$ 16,105</b>	<b>\$ 25,735</b>	<b>\$ 84,019</b>	<b>\$ 125,859</b>	<b>\$ 29,673</b>

**SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Asset Transfers to Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,371</u>
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See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**CUSTODIAL FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

Cash and Cash Equivalents

**\$ 18,210**

**NET POSITION**

Restricted for Other Organizations

**\$ 18,210**

**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, 2023**

<b><u>Additions</u></b>	\$ 7,248
<b><u>Deductions</u></b>	<u>-</u>
<b><u>Net Income (Loss)</u></b>	7,248
<b><u>Net Position, Beginning of Year</u></b>	<u>10,962</u>
<b><u>Net Position, End of Year</u></b>	<u>\$ 18,210</u>

See Accompanying Notes to Financial Statements.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023**

**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 \$11,000 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, 2023**

**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, 2023**

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

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

**Fire Hall Maintenance Fund** – The Fire Hall Maintenance Fund is a capital project fund used to account for the funds collected for and costs of maintenance for the Fire Department.

**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, 2023**

**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, 2023**

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, 2023**

**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 the 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 Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 Statement of Net Position or Balance Sheet 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.

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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	\$ 18,127	\$ 535	\$ 1,345	\$ 20,007
Special Assessments	-	-	15,526	15,526
<b>Total</b>	<b>\$ 18,127</b>	<b>\$ 535</b>	<b>\$ 16,871</b>	<b>\$ 35,533</b>

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.

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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, 2023, fund balances are composed of the following:

	<u>General Fund</u>	<u>Golf Fund</u>	<u>Revolving Loan Fund</u>	<u>Fire Dept Special Equipment</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Prepaid Expenses	\$ 24,938	\$ 2,622	\$ -	\$ -	\$ 1,912	\$ 29,472
Revolving Loan	-	-	126,059	-	-	126,059
<b>Restricted:</b>						
Pine Tree Park	-	-	-	-	23,437	23,437
Tax Increment Financing Distri	-	-	-	-	160,170	160,170
Economic Development	-	-	19,443	-	36,000	55,443
Debt Service	-	-	-	-	55,327	55,327
Road Maintenance	57,952	-	-	-	-	57,952
Equipment	-	-	-	591,423	-	591,423
<b>Committed:</b>						
Cemetery Perpetual Care Fund	-	-	-	-	66,800	66,800
Debt Service	-	-	-	-	13,907	13,907
<b>Assigned:</b>						
Public Works Reserve	-	-	-	-	3,338	3,338
Economic Development	-	-	308,969	-	-	308,969
Unassigned:	<u>459,737</u>	<u>(160,744)</u>	<u>-</u>	<u>-</u>	<u>(20,506)</u>	<u>278,487</u>
Total	<u>\$ 542,627</u>	<u>\$(158,122)</u>	<u>\$ 454,471</u>	<u>\$ 591,423</u>	<u>\$ 340,385</u>	<u>\$1,770,784</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.) Adoption of New Accounting Standards**

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 96, *Subscription-Based Information Technology Agreements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

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The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginnings of the period of adoption. The implementation of this standard does not result in any material agreements being identified.

**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, 2023.

**Restricted Deposits** – The City has \$43,783 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;

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- 5.) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- 6.) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The City has not adopted a formal investment policy. The City has not invested funds at December 31, 2023. 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, 2023.

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, 2023 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%	\$ 27,399
5/18/2016	40,000	6/1/2026	0.00%	8,724
8/1/2019	5,500	8/1/2029	0.00%	1,452
8/1/2019	15,000	8/1/2029	5.50%	8,770
9/1/2019	32,000	11/1/2029	5.50%	21,000
8/10/2020*	11,389	8/10/2030	3.25%	8,136
8/10/2020*	50,000	8/10/2030	0.00%	35,000
6/1/2022*	18,254	2/1/2032	3.25%	15,578
Total	<u>\$ 226,980</u>			<u>\$ 126,059</u>

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

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**F. Capital Assets**

Capital asset activity for the year ended December 31, 2023 is as follows:

	Balance 12/31/2022	Additions	Disposals	Transfer	Balance 12/31/2023
<b><u>Governmental Activities</u></b>					
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 729,801	\$ 19,500	\$ 215,073	\$ -	\$ 534,228
Construction in Progress	2,107,853	124,689	-	(2,232,542)	-
Total Non-Depreciable Capital Assets	<u>2,837,654</u>	<u>144,189</u>	<u>215,073</u>	<u>(2,232,542)</u>	<u>534,228</u>
<b>Depreciable Capital Assets</b>					
Buildings	510,521	-	-	2,232,542	2,743,063
Furniture, Fixtures and Equipment	1,263,314	616,715	36,359	-	1,843,670
Right to Use Lease - Equipment	241,368	-	-	-	241,368
Other Improvements	1,389,831	26,976	-	-	1,416,807
Total Depreciable Capital Assets	<u>3,405,034</u>	<u>643,691</u>	<u>36,359</u>	<u>2,232,542</u>	<u>6,244,908</u>
Less Accumulated Depreciation and Amortization	<u>2,147,239</u>	<u>313,243</u>	<u>36,359</u>	<u>-</u>	<u>2,424,123</u>
Depreciable Capital Assets, Net	<u>1,257,795</u>	<u>330,448</u>	<u>-</u>	<u>2,232,542</u>	<u>3,820,785</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<b><u>\$ 4,095,449</u></b>	<b><u>\$ 474,637</u></b>	<b><u>\$ 215,073</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,355,013</u></b>
<b><u>Business-Type Activities</u></b>					
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 39,487	\$ -	\$ -	\$ -	\$ 39,487
<b>Depreciable Capital Assets</b>					
Buildings	3,379,002	-	-	-	3,379,002
Furniture, Fixtures and Equipment	97,390	6,621	9,733	-	94,278
Right to Use Lease - Equipment	64,384	-	-	-	64,384
Other Improvements	2,995,981	-	-	-	2,995,981
Total Depreciable Capital Assets	<u>6,536,757</u>	<u>6,621</u>	<u>9,733</u>	<u>-</u>	<u>6,533,645</u>
Less Accumulated Depreciation and Amortization	<u>3,850,683</u>	<u>155,909</u>	<u>9,733</u>	<u>-</u>	<u>3,996,859</u>
Depreciable Capital Assets, Net	<u>2,686,074</u>	<u>(149,288)</u>	<u>-</u>	<u>-</u>	<u>2,536,786</u>
<b>Total Business-Type Activities Capital Assets, Net</b>	<b><u>\$ 2,725,561</u></b>	<b><u>\$ (149,288)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,576,273</u></b>

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 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.



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**G. Long-Term Liabilities**

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2023:

	Balance 1/1/23	Issues	Payments	Balance 12/31/23
<b>General Long-Term Debt:</b>				
<b>General Obligation Special Assessment Bonds:</b>				
G.O. Refunding Bonds, Series 2009A	\$ 15,000	\$ -	\$ 15,000	\$ -
<b>General Obligation Revenue Bonds:</b>				
2012A Equipment Bond	6,000	-	3,000	3,000
2012A Club House Refunded Bond	14,000	-	7,000	7,000
2023A Refunding Bond	-	1,655,000	-	1,655,000
2023B Refunding Bond	-	310,000	-	310,000
<b>General Obligation Bond:</b>				
2016 G.O. Equipment Certificate	42,000	-	14,000	28,000
2022A Interim Bond	1,965,000	-	1,965,000	-
<b>Note Payable:</b>				
Frontage Road Improvements Note*	36,490	-	8,015	28,475
USDA Loan	24,605	-	2,815	21,790
DEED Demolition Loan	162,032	-	-	162,032
Golf Course Shed - Storefront Rehab*	40,000	-	5,000	35,000
Golf Course Shed - Commercial Development*	9,254	-	1,118	8,136
Golf Course Mower*	18,254	-	2,676	15,578
Total General Long-Term Debt	2,332,635	1,965,000	2,023,624	2,274,011
Less: Unamortized Bond Discount	1,292	-	644	648
Total Net General Long-Term Debt	2,331,343	1,965,000	2,022,980	2,273,363
<b>Lease Payable (See Note 2, Section "H."):</b>				
Grader	60,304	-	7,928	52,376
Trucks	39,171	-	12,492	26,679
Golf Carts	47,208	-	12,751	34,457
Total Net Lease Payable	146,683	-	33,171	113,512
<b>Other Long-Term Liabilities:</b>				
Compensated Absences	15,044	6,064	-	21,108
<b>Total Governmental Activities</b>	<b>\$ 2,493,070</b>	<b>\$ 1,971,064</b>	<b>\$ 2,056,151</b>	<b>\$ 2,407,983</b>
<b>Proprietary Fund Debt:</b>				
<b>General Obligation Revenue Bonds:</b>				
G.O. Refunding Bonds, Series 2012A	\$ 690,000	\$ -	\$ 45,000	\$ 645,000
G.O. Tax Abatement Bond 2021A	650,000	-	30,000	620,000
<b>General Obligation Special Assessment Bonds:</b>				
G.O. Disposal System Bonds, Series 2014A	34,000	-	11,000	23,000
<b>Note Payable:</b>				
2017 G.O. Disposal System Note	22,644	-	17,000	5,644
2016 G.O. Water Revenue Note	154,000	-	4,000	150,000
Total Net Proprietary Fund Long-Term Debt	1,550,644	-	107,000	1,443,644
Less: Unamortized Bond Discount	5,863	-	488	5,375
Total Net Proprietary Fund Long-Term Debt	1,544,781	-	106,512	1,438,269
<b>Lease Payable (See Note 2, Section "H."):</b>				
Liquor Sign	33,480	-	19,640	13,840
<b>Other Long-Term Liabilities:</b>				
Compensated Absences	35,699	9,264	-	44,963
<b>Total Proprietary Activities</b>	<b>\$ 1,613,960</b>	<b>\$ 9,264</b>	<b>\$ 126,152</b>	<b>\$ 1,497,072</b>

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

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City indebtedness at December 31, 2023 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Amount Authorized and Issued	Balance 12/31/2023	Amounts Due in 2024	
						Principal	Interest
<b>General Obligation Issues:</b>							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	\$ 93,000	\$ 28,000	\$ 14,000	\$ 525
<b>Special Assessment Bonds with Governmental Commitment:</b>							
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	\$ 105,000	\$ 23,000	\$ 11,000	\$ 525
Less: Unamortized Discount				-	648	-	-
Total Net Special Assessment Bonds				\$ 105,000	\$ 22,352	\$ 11,000	\$ 525
<b>General Obligation Revenue Bonds:</b>							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 645,000	\$ 45,000	\$ 14,610
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	3,000	3,000	32
2012A Club House Refunded	.750-2.550	12/27/2012	2/1/2035	65,000	7,000	7,000	73
G.O. Tax Abatement Bonds, Series 2021A	.750-2.550	5/27/2021	2/1/2030	650,000	620,000	30,000	10,345
2023A Refunding Bond	2.250	7/28/2023	7/28/2063	1,655,000	1,655,000	25,950	37,238
2023B Refunding Bond	2.125	7/28/2023	7/28/2063	310,000	310,000	4,998	6,587
Less: Unamortized Discount				-	5,375	-	-
Total G. O. Revenue Bonds				\$ 3,780,000	\$ 3,234,625	\$ 115,948	\$ 68,885
<b>Notes Payable:</b>							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 5,644	\$ 5,644	\$ 83
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2046	148,293	150,000	4,000	1,500
Frontage Road Improvements Note	3.000	12/31/2015	1/1/2029	54,837	28,475	2,752	924
USDA Loan	2.375	4/6/2020	4/6/2030	30,000	21,790	2,882	523
Golf Course Shed - Storefront Rehab	0.000	8/10/2020	8/10/2030	50,000	35,000	5,000	-
Golf Course Shed - Commercial Development	3.250	8/10/2020	8/10/2030	11,389	8,136	1,049	259
DEED Demolition Loan	2.000	3/26/2021	3/26/2026	162,033	162,032	11,588	2,848
Golf Course Mower	3.250	6/1/2022	2/1/2028	18,254	15,578	3,179	472
Total Notes Payable				\$ 654,806	\$ 426,655	\$ 36,094	\$ 6,609
<b>Lease Payable:</b>							
Ziegler CAT	4.800	2/15/2021	2/15/2025	\$ 76,823	\$ 52,376	\$ 8,309	\$ 2,514
TCF Bank	4.490	1/1/2020	1/1/2025	64,867	13,840	6,843	311
GM Financial	4.457	1/5/2021	1/5/2025	89,367	26,679	13,049	1,189
TCF Bank - Golf Carts	4.500	7/22/2021	7/22/2026	65,578	34,457	13,336	1,334
Total Lease Payable				\$ 296,635	\$ 127,352	\$ 41,537	\$ 5,348

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 2023, the City entered into two refunding agreements with the USDA – Rural Development for funding the project costs of the new maintenance facility. The agreements will provide financing of \$1,655,000 and \$310,000 at an interest rate of 2.25% and 2.125%, respectively. Interest payments are due annually. The current maturity for the agreements is July 28, 2063.

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.

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The annual requirements to amortize long-term debt outstanding at December 31, 2023, 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
2024	\$ 14,000	\$ 525	\$ 11,000	\$ 525	\$ 115,948	\$ 68,885	\$ 36,094	\$ 6,127
2025	14,000	175	12,000	180	111,638	66,762	34,432	6,216
2026	-	-	-	-	112,344	64,677	35,046	6,200
2027	-	-	-	-	113,065	62,538	35,676	4,479
2028	-	-	-	-	113,802	60,346	35,623	4,857
2029-2033	-	-	-	-	610,659	264,870	116,207	15,648
2034-2038	-	-	-	-	496,721	198,454	69,374	6,677
2039-2043	-	-	-	-	370,239	154,576	40,000	2,790
2044-2048	-	-	-	-	251,501	122,363	24,203	800
2049-2053	-	-	-	-	280,827	93,038	-	-
2054-2058	-	-	-	-	313,574	60,291	-	-
2059-2063	-	-	-	-	349,682	23,725	-	-
Totals	\$ 28,000	\$ 700	\$ 23,000	\$ 705	\$3,240,000	\$1,240,525	\$426,655	\$ 53,794

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, 2023. Future tax levies for all bonds outstanding at December 31, 2023 totaled \$2,862,725. The amount bonds and lease outstanding with interest are to be paid with pledged revenues totaling \$1,948,990. The remaining amounts are to be paid with special assessments.

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**H. Leases**

A summary of changes in the leases are as follows:

Description	Beginning	Additions	Payments and	Ending	Current Amounts	
	Balance		Retirements	Balance	Principal	Interest
Liquor Sign	\$ 33,480	\$ -	\$ 19,640	\$ 13,840	\$ 6,843	\$ 311
Grader	60,304	-	7,928	52,376	8,309	2,514
Trucks	39,171	-	12,492	26,679	13,049	1,189
Golf Carts	47,208	-	12,751	34,457	13,336	1,334
Totals	<u>\$ 180,163</u>	<u>\$ -</u>	<u>\$ 52,811</u>	<u>\$ 127,352</u>	<u>\$ 41,537</u>	<u>\$ 5,348</u>

The City's lease assets total \$305,752 with accumulated amortization of \$187,426.

The payments on the lease are accounted for in the General Fund, Golf Fund, and Municipal Liquor Fund. The annual requirements to amortize the leases at December 31, 2023 are as follows:

<u>Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 41,537	\$ 5,348	\$ 46,885
2025	78,644	3,777	82,421
2026	7,171	162	7,333
Total	<u>\$ 127,352</u>	<u>\$ 9,287</u>	<u>\$ 136,639</u>

**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.

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**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.

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**D. Special Assessment Revenue Recognition**

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

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

**E. Depreciation and Amortization**

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

<b>Governmental Activities:</b>	
General Government	\$ 60,590
Public Safety	132,381
Streets and Highways	62,234
Culture and Recreation	32,848
Economic Development	25,190
Total Governmental Activities Expense	<u>\$ 313,243</u>
<b>Business-Type Activities:</b>	
Municipal Sewage Disposal	\$ 23,619
Municipal Water	84,030
Municipal Liquor Store	48,260
Total Business-Type Activities Expense	<u>\$ 155,909</u>

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**Note 4 - Defined Benefit Pension Plans**

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Public Employees Police and Fire Plan**

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

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**General Employees Plan Benefits**

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

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Benefit increases are provided to benefit recipients each January. 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**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.

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

**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 2023 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, 2023 were \$55,320. 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 2023 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, 2023, were \$10,648. The City's contributions were equal to the required contributions as set by State Statute.



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**D. Pension Costs**

**General Employees Fund Pension Costs**

At December 31, 2023, the City reported a liability of \$497,678 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 \$13,651.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportion was .0089% at the end of the measurement period and .0087% for the beginning of the period.

City’s proportionate share of net pension liability	\$ 497,678
State of Minnesota’s proportionate share of net pension liability associated with the City	<u>13,651</u>
<b>Total</b>	<b><u>\$ 511,329</u></b>

For the year ended December 31, 2023 the City recognized pension expense of (\$125,480) for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$61 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, 2023, 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	\$ 16,256	\$ 2,812
Changes in actuarial assumptions	66,589	136,409
Difference between projected and actual investment earnings	6,040	-
Changes in proportion	52,265	-
Contributions paid to PERA subsequent to the measurement date	<u>28,780</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 169,930</u></b>	<b><u>\$ 139,221</u></b>

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The \$28,780 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, 2024. 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>
2024	\$ 39,633
2025	(41,057)
2026	14,149
2027	(10,796)

**Police and Fire Fund Pension Costs**

At December 31, 2023, the City reported a liability of \$69,075 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was .0040% at the end of the measurement period and .0030% 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, 2023. 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, 2022. 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’s proportionate share of the net pension liability associated with the City totaled \$2,742.

City’s proportionate share of net pension liability	\$ 69,075
State of Minnesota’s proportionate share of net pension liability associated with the City	<u>2,742</u>
Total	<u><u>\$ 71,817</u></u>

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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 June 30, 2023, the City recognized pension expense of \$23,616 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized an additional (\$165) 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.

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 \$360 for the year ended December 31, 2023 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, 2023, 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	\$ 22,322	\$ -
Changes in actuarial assumptions	107,084	97,796
Difference between projected and actual investment earnings	-	56,016
Changes in proportion	38,878	36,218
Contributions paid to PERA subsequent to the measurement date	5,937	-
Total	\$ 174,221	\$ 190,030

The \$5,937 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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<u>Year Ended</u> <u>December</u>	<u>Pension</u> <u>Expense</u>
2024	\$ (9,042)
2025	(16,502)
2026	23,543
2027	(9,859)
2028	(9,886)

**E. Long-Term Expected Return on Investment**

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

<u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real Rate</u> <u>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, 2023, 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 7.0%. 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 7.0% 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.

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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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 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.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**General Employees Fund**

**Changes in Actuarial Assumptions:**

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

**Changes in Plan Provisions:**

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

**Police and Fire Fund**

**Changes in Actuarial Assumptions:**

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%

**Changes in Plan Provisions:**

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund and Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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:

Sensitivity Analysis				
<i>Net Pension Liability at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	\$ 880,432	6.00%	\$ 137,053
Current Discount Rate	7.00%	497,678	7.00%	69,075
1% Higher	8.00%	182,848	8.00%	13,188

**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](http://www.mnpera.org).

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

**A. Plan Description**

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

**B. Benefits Provided**

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

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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, 2023, 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>

**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 \$25,668 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, 2022, 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, 2023, 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

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**Mortality**

**Healthy Pre-retirement: Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2020.**

**Healthy Post-retirement: Pub-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: Pub-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.**

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

<u>Asset Class</u>	<u>Assumed Target Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
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%
<b>Total</b>	<b>100.00%</b>		<b>5.43%</b>
Reduced for assumed investment expense			-0.04%
<b>Net Assumed Investment Return</b>			<b>5.50%</b>

**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.



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**G. Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2022	\$ 226,520	\$ 536,719	\$ (310,199)
Changes for the year:			
Service Cost	9,352	-	9,352
Interest Cost	11,807	-	11,807
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - State and Local	-	23,114	(23,114)
Benefit Payments	(42,400)	(42,400)	-
Net Investment Income (Loss)	-	(13,678)	13,678
Administrative Expense	-	(4,343)	4,343
Net Changes	<u>(21,241)</u>	<u>(37,307)</u>	<u>16,066</u>
Balance at December 31, 2023	<u>\$ 205,279</u>	<u>\$ 499,412</u>	<u>\$ (294,133)</u>

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:

	1% Point Decrease (4.5%)	Current Discount Rate (5.5%)	1% Point Increase (6.5%)
Total Pension Liability	\$ 209,558	\$ 205,279	\$ 201,068
Plan Fiduciary Net Position	499,412	499,412	499,412
Net Pension Liability (Asset)	(289,854)	(294,133)	(298,344)

**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.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

For the year ended December 31, 2023, The City recognized pension expense of (\$9,020). At December 31, 2023, 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	\$ 9,105	\$ -
Difference between expected and actual liability	-	15,616
Change in Assumptions	3,503	-
Contributions to the plan subsequent to the measurement date	<u>25,668</u>	<u>-</u>
Total	<u>\$ 38,276</u>	<u>\$ 15,616</u>

\$25,668 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, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending:</u>	
2024	\$ (11,542)
2025	(1,687)
2026	7,665
2027	6,589
2028	(2,020)
Thereafter	(2,013)

**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	\$ 497,678	\$ 69,075	\$ -	\$ 566,753
Net Pension Asset	-	-	294,133	294,133
Deferred Inflows of Resources	139,221	190,030	15,616	344,867
Deferred Outflows of Resources	169,930	174,221	38,276	382,427
Pension Expense	(125,480)	23,616	(9,020)	(110,884)

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 12 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 2023:

- The discount rate was changed from 1.84% to 4.05%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA Police & Fire Plan valuations to the rates used in the 7/1/2022 valuations.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.00% to 3.25% based on the 7/1/2022 PERA valuations.

**Contributions**

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

**Total OPEB Liability**

The City’s total OPEB liability was determined by using the Alternative Measurement Method (AMM) valuation as of December 31, 2022.

*Assumptions* – Assumptions used in the December 31, 2022 AMM valuation were based on assumptions for General and Police & Fire Employees used in the July 1, 2023 PERA of Minnesota Retirement Plan actuarial valuations. The total OPEB liability in the December 31, 2022 AMM valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	4.05%
Inflation	2.50%

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Healthcare Cost Trend Rate 6.30% for FY2023 gradually decreasing over several decades to an ultimate rate of 3.90% in FY2075 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-2021 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 4.05%.

**Changes in the Total OPEB Liability**

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

	Total OPEB Liability
Balances at December 31, 2022	\$ 775,091
Changes for the year:	
Service Cost	228
Interest Cost	14,113
Assumption Changes	(161,790)
Difference between Expected and Actual Experience	(189,219)
Benefit Payments	(16,668)
Net Changes	(353,336)
Balances at December 31, 2023	\$ 421,755

*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 (3.05%) or one percentage point higher (5.05%) than the current discount rate.

	1% Decrease (3.05%)	Current Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB Liability	\$ 489,912	\$ 421,755	\$ 366,081

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

*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 (5.30% decreasing to 2.90%) or one percentage point higher (7.30% decreasing to 4.90%) than the current healthcare cost trend rates:

	<b>1% Decrease (5.30% decreasing to 2.90%)</b>	<b>Healthcare Cost Trend Rates (6.30% decreasing to 3.90%)</b>	<b>1% Increase (7.30% decreasing to 4.90%)</b>
<b>Total OPEB Liability</b>	<b>\$ 367,760</b>	<b>\$ 421,755</b>	<b>\$ 486,309</b>

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$350,033.

The City reported deferred outflows of resources related to pensions, \$13,343, 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, 2023.

**Note 6 – Interfund Balances and Transfers**

As of December 31, 2023, the City had interfund balances to eliminate cash deficits in the Golf Fund and Cemetery Fund.

		<b>Due from Other Funds</b>		
		<b>General Fund</b>	<b>Municipal Liquor Store Fund</b>	<b>Total</b>
<b>Due to Other Funds</b>	<b>Interfund Balances</b>			
	Golf Course Fund	\$ 25,000	\$ 136,088	\$ 161,088
	<b>Nonmajor Governmental Funds:</b>			
	Cemetery Fund	4,155	-	4,155
	Downtown Development Fund	16,720	-	16,720
	<b>Total Interfund Balances</b>	<b>\$ 45,875</b>	<b>\$ 136,088</b>	<b>\$ 181,963</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

The City of Blackduck, Minnesota made the following transfers between funds during 2023 as follows:

		Transfer Out			
		General	Nonmajor	Municipal	
		Fund	Governmental	Liquor	
		Fund	Funds	Store	Total
		Fund	Funds	Fund	Fund
Transfer In	Operating Transfers				
	General Fund	\$ -	\$ 91,757	\$ 50,000	\$ 141,757
	Golf Course Fund	-	-	5,000	5,000
	Fire Hall Maintenance Fund	30,000	-	-	30,000
	Fire Department Special Equipment Fur	5,000	-	-	5,000
	Nonmajor Governmental Funds	2,000	43,448	2,500	47,948
	Municipal Water Fund	29,758	-	-	29,758
	Municipal Sewer Disposal Fund	29,758	-	-	29,758
	Total Transfers	\$ 96,516	\$ 135,205	\$ 57,500	\$ 289,221

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

**Note 7 – Risk Management**

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

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

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

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**Note 8 – Stewardship, Compliance and Accountability**

**A. Deficit Fund Equity**

The following nonmajor funds net position deficit exists as of December 31, 2023:

Cemetery Fund      \$3,572

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 governmental funds for the year-ended December 31, 2023:

	<b>Expenditures</b>	<b>Budget</b>	<b>Excess</b>
General Fund	\$ 866,996	\$ 795,720	\$ 71,276
Golf Course Fund	278,878	246,814	32,064

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.

**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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>		<u>Variance- Positive (Negative)</u>	<u>2022 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<b><u>Revenues</u></b>				
<b><u>Taxes and Special Assessments</u></b>				
General Property Tax	\$ 320,864	\$ 319,679	\$ (1,185)	\$ 262,014
<b><u>Licenses and Permits</u></b>	3,750	2,967	(783)	13,675
<b><u>Intergovernmental Revenues</u></b>				
<b><u>Federal</u></b>				
Other Federal Revenue	15,000	82,173	67,173	62,731
<b><u>State</u></b>				
Local Government Aids	290,392	290,392	-	283,737
Market Value Credit	-	68	68	57
Police Aids	14,500	6,384	(8,116)	16,005
Fire Aid	19,000	51,382	32,382	23,687
Other State Aid	-	38,599	38,599	-
<b>Total Intergovernmental Revenues</b>	<b>338,892</b>	<b>468,998</b>	<b>130,106</b>	<b>386,217</b>
<b><u>Charges for Services</u></b>				
Rural Fire Contracts	86,354	86,354	-	83,656
Other	18,000	41,327	23,327	8,100
<b>Total Charges for Services</b>	<b>104,354</b>	<b>127,681</b>	<b>23,327</b>	<b>91,756</b>
<b><u>Fines and Fees</u></b>	<b>200</b>	<b>172</b>	<b>(28)</b>	<b>113</b>
<b><u>Interest Income</u></b>	<b>1,000</b>	<b>3,458</b>	<b>2,458</b>	<b>617</b>
<b><u>Other</u></b>				
Reimbursements	7,660	22,037	14,377	9,328
Donations	-	-	-	2,700
Other	1,000	168	(832)	438
<b>Total Other</b>	<b>8,660</b>	<b>22,205</b>	<b>13,545</b>	<b>12,466</b>
<b><u>Total Revenues</u></b>	<b>777,720</b>	<b>945,160</b>	<b>167,440</b>	<b>766,858</b>

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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>			<u>2022</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
<b><u>Mayor and Council</u></b>				
Personal Services	11,734	11,438	296	12,477
Materials and Supplies	3,500	2,845	655	1,912
Other Expenditures	150	1,288	(1,138)	30
Total Mayor and Council	<u>15,384</u>	<u>15,571</u>	<u>(187)</u>	<u>14,419</u>
<b><u>Administration</u></b>				
Personal Services	116,451	117,903	(1,452)	105,876
Materials and Supplies	4,450	5,051	(601)	3,706
Purchased Services	28,288	35,917	(7,629)	44,302
Other Expenditures	8,844	9,418	(574)	9,815
Debt Service - Principal	2,088	6,794	(4,706)	4,979
Total Administration	<u>160,121</u>	<u>175,083</u>	<u>(14,962)</u>	<u>168,678</u>
<b><u>Planning/Zoning</u></b>				
Purchased Services	1,000	3,438	(2,438)	13,450
<b><u>Government Buildings</u></b>				
Materials and Supplies	900	952	(52)	961
Repairs and Maintenance	5,000	5,239	(239)	1,547
Purchased Services	10,265	738	9,527	7,270
Capital Outlay	500	2,661	(2,161)	465
Total Government Buildings	<u>16,665</u>	<u>9,590</u>	<u>7,075</u>	<u>10,243</u>
<b>Total General Government</b>	<u>193,170</u>	<u>203,682</u>	<u>(10,512)</u>	<u>206,790</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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>		<u>Variance- Positive (Negative)</u>	<u>2022 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<b><u>Public Safety</u></b>				
<b><u>Law Enforcement</u></b>				
Personal Services	181,557	94,462	87,095	59,167
Materials and Supplies	12,250	11,107	1,143	8,032
Repairs and Maintenance	3,600	4,872	(1,272)	971
Purchased Services	29,024	39,295	(10,271)	33,464
Other Expenditures	5,400	3,655	1,745	2,554
Capital Outlay	-	5,961	(5,961)	38,883
<b>Total Law Enforcement</b>	<b>231,831</b>	<b>159,352</b>	<b>72,479</b>	<b>143,071</b>
<b><u>Fire</u></b>				
Personal Services	17,225	15,504	1,721	14,810
Materials and Supplies	14,800	29,146	(14,346)	19,862
Repair and Maintenance	13,150	13,946	(796)	7,908
Purchased Services	20,280	26,034	(5,754)	16,989
Other Expenditures	21,750	48,655	(26,905)	25,602
Capital Outlay	6,000	521	5,479	1,045
<b>Total Fire</b>	<b>93,205</b>	<b>133,806</b>	<b>(40,601)</b>	<b>86,216</b>
<b>Total Public Safety</b>	<b>325,036</b>	<b>293,158</b>	<b>31,878</b>	<b>229,287</b>
<b><u>Streets and Highways</u></b>				
<b><u>Street Maintenance</u></b>				
Personal Services	84,951	91,363	(6,412)	81,853
Materials and Supplies	53,050	51,328	1,722	37,975
Repair and Maintenance	7,100	12,348	(5,248)	4,204
Purchased Services	20,964	32,090	(11,126)	27,341
Other Expenditures	3,000	2,824	176	1,459
Capital Outlay	28,467	66,166	(37,699)	40,768
Debt Service - Principal	-	20,420	(20,420)	19,524
Debt Service - Interest and Fiscal Fees	-	4,641	(4,641)	5,537
<b>Total Street Maintenance</b>	<b>197,532</b>	<b>281,180</b>	<b>(83,648)</b>	<b>218,661</b>

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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>		<u>Variance- Positive (Negative)</u>	<u>2022 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<b><u>Street Lighting</u></b>				
Materials and Supplies	3,500	-	3,500	3,309
Repairs and Maintenance	1,100	14,251	(13,151)	11,506
Purchased Services	10,500	10,893	(393)	10,499
<b>Total Street Lighting</b>	<b>15,100</b>	<b>25,144</b>	<b>(10,044)</b>	<b>25,314</b>
<b>Total Streets and Highways</b>	<b>212,632</b>	<b>306,324</b>	<b>(93,692)</b>	<b>243,975</b>
<b><u>Culture and Recreation</u></b>				
<b><u>Parks and Recreation</u></b>				
Personal Services	9,257	12,925	(3,668)	9,054
Materials and Supplies	5,150	3,394	1,756	2,639
Repairs and Maintenance	4,300	550	3,750	198
Purchased Services	6,691	6,886	(195)	6,589
Capital Outlay	2,360	1,995	365	7,774
<b>Total Parks and Recreation</b>	<b>27,758</b>	<b>25,750</b>	<b>2,008</b>	<b>26,254</b>
<b><u>Library</u></b>				
Materials and Supplies	10,400	11,160	(760)	1,957
Repairs and Maintenance	4,350	4,960	(610)	350
Purchased Services	22,374	21,962	412	21,962
<b>Total Library</b>	<b>37,124</b>	<b>38,082</b>	<b>(958)</b>	<b>24,269</b>
<b>Total Culture and Recreation</b>	<b>64,882</b>	<b>63,832</b>	<b>1,050</b>	<b>50,523</b>
<b><u>Total Expenditures</u></b>	<b>795,720</b>	<b>866,996</b>	<b>(71,276)</b>	<b>730,575</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>(18,000)</b>	<b>78,164</b>	<b>96,164</b>	<b>36,283</b>

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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>			<u>2022</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance Proceeds	-	14,251	14,251	-
Proceeds from Sale of Assets	-	112,739	112,739	1,200
Operating Transfer In	50,000	141,757	91,757	20,000
Operating Transfer Out	(32,000)	(96,516)	(64,516)	(80,297)
<b><u>Total Other Financing Sources (Uses)</u></b>	<u>18,000</u>	<u>172,231</u>	<u>154,231</u>	<u>(59,097)</u>
<b><u>Net Change in Fund Balance</u></b>	-	250,395	250,395	(22,814)
<b><u>Fund Balances, Beginning of Year</u></b>	<u>292,232</u>	<u>292,232</u>	<u>-</u>	<u>315,046</u>
<b><u>Fund Balances, End of Year</u></b>	<u>\$ 292,232</u>	<u>\$ 542,627</u>	<u>\$ 250,395</u>	<u>\$ 292,232</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, 2023**

With Comparative Amounts For Year Ended December 31, 2022

	<u>2023</u>		<u>Variance- Positive (Negative)</u>	<u>2022 Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		
<b><u>Revenues</u></b>				
<b><u>Taxes and Special Assessments</u></b>				
General Property Tax	\$ 21,434	\$ 21,317	\$ (117)	\$ 15,823
<b><u>Charges for Services</u></b>	171,100	251,149	80,049	177,162
<b><u>Other</u></b>				
Donations	-	2,812	2,812	24,001
Other	-	3,552	3,552	4,469
Total Other	-	6,364	6,364	28,470
<b><u>Total Revenues</u></b>	<u>192,534</u>	<u>278,830</u>	<u>86,296</u>	<u>221,455</u>
<b><u>Expenditures</u></b>				
<b><u>Culture and Recreation</u></b>				
Current	189,200	215,386	(26,186)	201,243
Capital Outlay	17,769	16,854	915	50,920
Total Culture and Recreation	<u>206,969</u>	<u>232,240</u>	<u>(25,271)</u>	<u>252,163</u>
<b><u>Debt Service</u></b>				
Principal	38,670	43,015	(4,345)	41,174
Interest and Fiscal Charges	1,175	3,623	(2,448)	4,307
Total Debt Service	<u>39,845</u>	<u>46,638</u>	<u>(6,793)</u>	<u>45,481</u>
<b><u>Total Expenditures</u></b>	<u>246,814</u>	<u>278,878</u>	<u>(32,064)</u>	<u>297,644</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(54,280)</u>	<u>(48)</u>	<u>54,232</u>	<u>(76,189)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Debt Proceeds	-	-	-	18,254
Operating Transfer In	5,000	5,000	-	5,000
<b><u>Total Other Financing Sources (Uses)</u></b>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>23,254</u>
<b><u>Net Change in Fund Balance</u></b>	<u>(49,280)</u>	<u>4,952</u>	<u>54,232</u>	<u>(52,935)</u>
<b><u>Fund Balances, Beginning of Year</u></b>	<u>(163,074)</u>	<u>(163,074)</u>	<u>-</u>	<u>(110,139)</u>
<b><u>Fund Balances, End of Year</u></b>	<u>\$ (212,354)</u>	<u>\$ (158,122)</u>	<u>\$ 54,232</u>	<u>\$ (163,074)</u>

See Accompanying Notes to the Required Supplementary Information.

**CITY OF BLACKDUCK, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2023**

Last 10 Fiscal Years\*

Measurement Year Ended June 30:	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>General Employees Plan:</b>							
2023	0.0089%	\$ 497,678	\$ 13,651	511,329	\$ 705,983	70.49%	83.1%
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%
<b>Police and Fire Plan:</b>							
2023	0.0040%	69,075	-	69,075	52,011	132.81%	86.5%
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, 2023**

Last 10 Fiscal Years\*

<b>For the Year Ended December 31:</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b><u>General Employees Plan:</u></b>					
2023	\$ 55,320	\$ 55,320	\$ -	\$ 737,588	7.50%
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%
<b><u>Police and Fire Plan:</u></b>					
2023	10,648	10,648	-	60,848	17.50%
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, 2023**

**Last 10 Fiscal Years\***

<b>For the Year Ended December 31:</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total Pension Liability (Asset):</b>						
Service Cost	\$ 9,352	\$ 9,586	\$ 9,352	\$ 9,396	\$ 9,167	\$ 8,943
Interest Cost	11,807	14,314	13,998	13,785	12,596	11,491
Differences between expected and actual	-	(14,110)	-	(8,444)	-	-
Assumption Changes	-	4,523	-	18	-	-
Benefit Payments	(42,400)	(14,464)	(22,600)	-	(5,940)	-
Net Change in Total Pension Liability (Asset)	(21,241)	(151)	750	14,755	15,823	20,434
Total Pension Liability - beginning	226,520	226,671	225,921	211,166	195,343	174,909
Total Pension Liability - ending (a)	<u>\$ 205,279</u>	<u>\$ 226,520</u>	<u>\$ 226,671</u>	<u>\$ 225,921</u>	<u>\$ 211,166</u>	<u>\$ 195,343</u>
<b>Plan Fiduciary Net Position:</b>						
Contribution - State and Local	\$ 23,114	\$ 22,687	\$ 21,824	\$ 20,348	\$ 19,446	\$ 24,084
Net Investment Income	(13,678)	25,571	73,658	70,704	(10,829)	50,603
Administrative Expenses	(4,343)	(1,650)	(1,799)	(599)	(599)	(2,399)
Benefit Payments	(42,400)	(14,464)	(22,600)	-	(5,940)	-
Net Change in Plan Fiduciary Net Position	(37,307)	32,144	71,083	90,453	2,078	72,288
Plan Fiduciary Net Position - beginning	536,719	504,575	433,492	343,039	340,961	268,673
Plan Fiduciary Net Position - ending (b)	<u>\$ 499,412</u>	<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)	\$ (294,133)	\$ (310,199)	\$ (277,904)	\$ (207,571)	\$ (131,873)	\$ (145,618)
<b>Plan Fiduciary Net Position</b> as a Percentage of the Total Pension Liability	243.28%	236.94%	222.60%	191.88%	162.45%	174.54%
Covered Payroll	N/A	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	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, 2023**

Last 10 Fiscal Years\*

<b>For the Year Ended December 31:</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Non-Employer State Aid</b>	<b>City's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2023	\$ -	\$ -	\$ -	\$ 25,668	n/a	n/a
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, 2023**

**Last 10 Fiscal Years\***

<b><u>For the Year Ended:</u></b>	<b><u>Annual money-weighted rate of return, net of investment expense</u></b>
<b>December 31, 2023</b>	<b>-2.6%</b>
<b>December 31, 2022</b>	<b>5.2%</b>
<b>December 31, 2021</b>	<b>17.1%</b>
<b>December 31, 2020</b>	<b>20.6%</b>
<b>December 31, 2019</b>	<b>-3.2%</b>
<b>December 31, 2018</b>	<b>18.7%</b>

\* - 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, 2023**

Last 10 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 228	\$ 214	\$ -
Interest	14,113	15,001	-
Assumption Changes	(161,790)	20,761	-
Differences between Expected and Actual Experience	(189,219)	(5,760)	754,805
Benefit payments	<u>(16,668)</u>	<u>(9,930)</u>	<u>-</u>
Net change in total OPEB liability	(353,336)	20,286	754,805
Total OPEB liability - beginning	<u>775,091</u>	<u>754,805</u>	<u>-</u>
Total OPEB liability - ending	<u>\$ 421,755</u>	<u>\$ 775,091</u>	<u>\$ 754,805</u>
Covered payroll	\$ 597,093	\$ 462,782	\$ 624,986
City's net OPEB liability as a percentage of covered payroll	70.60%	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, 2023**

**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, 2023**

**Expenditures in Excess of Budget**

Expenditures exceed the budget in the following major funds for the year-ended December 31, 2023:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 866,996	\$ 795,720	\$ 71,276
Golf Course Fund	278,878	246,814	32,064

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**

**2023 Changes:**

**Changes in Actuarial Assumptions:**

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

**Changes in Plan Provisions:**

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

**2022 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**2021 Changes:**

**Changes in Actuarial Assumptions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**Changes in Plan Provisions:**

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

**2020 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**2019 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**2018 Changes:**

**Changes in Actuarial Assumptions:**

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

**2017 Changes:**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**2016 Changes:**

**Changes in Actuarial Assumptions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**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**

**2023 Changes:**

**Changes in Actuarial Assumptions:**

- **The investment return assumption was changed from 6.50% to 7.00%.**
- **The single discount rate changed from 5.40% to 7.00%**

**Changes in Plan Provisions:**

- **Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.**
- **Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.**
- **A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.**
- **Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.**
- **The total and permanent duty disability benefit was increased, effective July 1, 2023.**

**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%.**

**Changes in Plan Provisions:**

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



**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**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.

**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.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

- 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.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

**CITY OF BLACKDUCK, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**

**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 ACFR.

**Note 3 – Other Post-Employment Benefits**

**2023 Changes:**

**Changes in Actuarial Assumptions:**

- The discount rate was changed from 1.84% to 4.05%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA Police & Fire Plan valuations to the rates used in the 7/1/2022 valuations.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.00% to 3.25% based on the 7/1/2022 PERA valuations.

**2022 Changes:**

**Changes in Actuarial Assumptions:**

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

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	<b>Total Special Revenue Funds</b>	<b>Total Capital Project Funds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>ASSETS</u></b>				
Cash	\$ 251,253	\$ 39,338	\$ 69,057	\$ 359,648
Accounts Receivable	501	-	-	501
Due from Other Governments	-	-	177	177
Delinquent Property Taxes Receivable	-	-	1,345	1,345
Special Assessments Receivable	-	-	15,526	15,526
Prepaid Expenses	1,912	-	-	1,912
<b><u>Total Assets</u></b>	<b><u>\$ 253,666</u></b>	<b><u>\$ 39,338</u></b>	<b><u>\$ 86,105</u></b>	<b><u>\$ 379,109</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 824	\$ -	\$ -	\$ 824
Accrued Salaries and Wages Payable	154	-	-	154
Due to Other Funds	4,155	16,720	-	20,875
<b>Total Liabilities</b>	<b><u>5,133</u></b>	<b><u>16,720</u></b>	<b><u>-</u></b>	<b><u>21,853</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable Revenue	-	-	16,871	16,871
<b><u>Fund Balances</u></b>				
Nonspendable	1,912	-	-	1,912
Restricted	183,607	36,000	55,327	274,934
Committed	66,800	-	13,907	80,707
Assigned	-	3,338	-	3,338
Unassigned	(3,786)	(16,720)	-	(20,506)
<b>Total Fund Balances</b>	<b><u>248,533</u></b>	<b><u>22,618</u></b>	<b><u>69,234</u></b>	<b><u>340,385</u></b>
<b><u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>	<b><u>\$ 253,666</u></b>	<b><u>\$ 39,338</u></b>	<b><u>\$ 86,105</u></b>	<b><u>\$ 379,109</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2023**

	<b>Total Special Revenue Funds</b>	<b>Total Capital Project Funds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Revenues</u></b>				
General Property Taxes	\$ -	\$ -	\$ 19,284	\$ 19,284
Special Assessments	-	-	10,050	10,050
Tax Increments	39,183	-	-	39,183
Charges for Services	24,931	-	-	24,931
Intergovernmental Revenues	11,000	-	-	11,000
Interest Income	2,150	382	1,641	4,173
Donations and Grants	-	9,250	-	9,250
Other	372	-	-	372
<b><u>Total Revenues</u></b>	<b><u>77,636</u></b>	<b><u>9,632</u></b>	<b><u>30,975</u></b>	<b><u>118,243</u></b>
<b><u>Expenditures</u></b>				
Current:				
Economic Development	-	2,458	-	2,458
Culture and Recreation	28,522	-	-	28,522
Cemetery	8,770	-	-	8,770
Capital Outlay	14,500	205,762	-	220,262
Debt Service:				
Principal	-	-	23,015	23,015
Interest and Fiscal Charges	12,280	-	50,637	62,917
<b><u>Total Expenditures</u></b>	<b><u>64,072</u></b>	<b><u>208,220</u></b>	<b><u>73,652</u></b>	<b><u>345,944</u></b>
<b><u>Excess of Revenues</u></b>				
<b><u>Over (Under) Expenditures</u></b>	<b><u>13,564</u></b>	<b><u>(198,588)</u></b>	<b><u>(42,677)</u></b>	<b><u>(227,701)</u></b>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers Out	-	(43,448)	(91,757)	(135,205)
Proceeds from Long Term Debt	-	-	1,965,000	1,965,000
Operating Transfers In	4,500	-	43,448	47,948
Proceeds from Sale of Capital Asset	-	32,384	-	32,384
Principal Payments Refunded Bond	-	-	(1,965,000)	(1,965,000)
<b><u>Total Other Financing Sources (Uses)</u></b>	<b><u>4,500</u></b>	<b><u>(11,064)</u></b>	<b><u>(48,309)</u></b>	<b><u>(54,873)</u></b>
<b><u>Net Change in Fund Balance</u></b>	<b><u>18,064</u></b>	<b><u>(209,652)</u></b>	<b><u>(90,986)</u></b>	<b><u>(282,574)</u></b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b><u>230,469</u></b>	<b><u>232,270</u></b>	<b><u>160,220</u></b>	<b><u>622,959</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ 248,533</u></b>	<b><u>\$ 22,618</u></b>	<b><u>\$ 69,234</u></b>	<b><u>\$ 340,385</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Pine Tree Park Fund</u>	<u>Tax Increment Financing Districts</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ -	\$ 66,737	\$ 24,346	\$ 160,170	\$ 251,253
Accounts Receivable	438	63	-	-	501
Prepaid Expenses	214	-	1,698	-	1,912
<b>Total Assets</b>	<b>\$ 652</b>	<b>\$ 66,800</b>	<b>\$ 26,044</b>	<b>\$ 160,170</b>	<b>\$ 253,666</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ -	\$ -	\$ 824	\$ -	\$ 824
Accrued Salaries and Wages Payable	69	-	85	-	154
Due to Other Funds	4,155	-	-	-	4,155
<b>Total Liabilities</b>	<b>4,224</b>	<b>-</b>	<b>909</b>	<b>-</b>	<b>5,133</b>
<b><u>Fund Balances</u></b>					
Nonspendable	214	-	1,698	-	1,912
Restricted	-	-	23,437	160,170	183,607
Committed	-	66,800	-	-	66,800
Unassigned	(3,786)	-	-	-	(3,786)
<b>Total Fund Balances</b>	<b>(3,572)</b>	<b>66,800</b>	<b>25,135</b>	<b>160,170</b>	<b>248,533</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 652</b>	<b>\$ 66,800</b>	<b>\$ 26,044</b>	<b>\$ 160,170</b>	<b>\$ 253,666</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2023**

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Pine Tree Park Fund</u>	<u>Tax Increment Financing Districts</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>Revenues</u></b>					
Tax Increments	\$ -	\$ -	\$ -	\$ 39,183	\$ 39,183
Charges for Services	563	1,238	23,130	-	24,931
Intergovernmental Revenues	-	-	11,000	-	11,000
Interest Income	1,855	114	181	-	2,150
Other	97	-	275	-	372
<b><u>Total Revenues</u></b>	<b><u>2,515</u></b>	<b><u>1,352</u></b>	<b><u>34,586</u></b>	<b><u>39,183</u></b>	<b><u>77,636</u></b>
<b><u>Expenditures</u></b>					
Current:					
Culture and Recreation	-	-	28,522	-	28,522
Cemetery	8,770	-	-	-	8,770
Capital Outlay	-	-	14,500	-	14,500
Debt Service:					
Interest and Fiscal Charges	-	-	-	12,280	12,280
<b><u>Total Expenditures</u></b>	<b><u>8,770</u></b>	<b><u>-</u></b>	<b><u>43,022</u></b>	<b><u>12,280</u></b>	<b><u>64,072</u></b>
<b><u>Excess of Revenues</u></b>					
<u>Over (Under) Expenditures</u>	<u>(6,255)</u>	<u>1,352</u>	<u>(8,436)</u>	<u>26,903</u>	<u>13,564</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In	4,500	-	-	-	4,500
<b><u>Net Change in Fund Balance</u></b>	<b><u>(1,755)</u></b>	<b><u>1,352</u></b>	<b><u>(8,436)</u></b>	<b><u>26,903</u></b>	<b><u>18,064</u></b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b><u>(1,817)</u></b>	<b><u>65,448</u></b>	<b><u>33,571</u></b>	<b><u>133,267</u></b>	<b><u>230,469</u></b>
<b><u>Fund Balances, End of Year</u></b>	<b><u>\$ (3,572)</u></b>	<b><u>\$ 66,800</u></b>	<b><u>\$ 25,135</u></b>	<b><u>\$ 160,170</u></b>	<b><u>\$ 248,533</u></b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	<u>Public Works Reserve Fund</u>	<u>Downtown Development Fund</u>	<u>Maintenance Facility Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<b><u>ASSETS</u></b>				
Cash	<u>\$ 3,338</u>	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ 39,338</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>				
<b><u>FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Due to Other Funds	<u>\$ -</u>	<u>\$ 16,720</u>	<u>\$ -</u>	<u>\$ 16,720</u>
<b>Fund Balances:</b>				
Restricted	-	36,000	-	36,000
Assigned	3,338	-	-	3,338
Unassigned	-	(16,720)	-	(16,720)
Total Fund Balances	<u>3,338</u>	<u>19,280</u>	<u>-</u>	<u>22,618</u>
<b><u>Total Liabilities, Deferred Inflows of</u></b>				
<b><u>Total Fund Balances</u></b>	<u>\$ 3,338</u>	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ 39,338</u>



**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR CAPITAL PROJECTS GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2023**

	Public Works Reserve Fund	Downtown Development Fund	Maintenance Facility Fund	Total Nonmajor Capital Project Funds
<b><u>Revenues</u></b>				
Interest Income	\$ 382	\$ -	\$ -	\$ 382
Donations and Grants	-	9,250	-	9,250
<b>Total Revenues</b>	<b>382</b>	<b>9,250</b>	<b>-</b>	<b>9,632</b>
<b><u>Expenditures</u></b>				
Current:				
Economic Development	-	2,458	-	2,458
Capital Outlay	10,000	22,072	173,690	205,762
<b>Total Expenditures</b>	<b>10,000</b>	<b>24,530</b>	<b>173,690</b>	<b>208,220</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>(9,618)</b>	<b>(15,280)</b>	<b>(173,690)</b>	<b>(198,588)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers Out	-	-	(43,448)	(43,448)
Proceeds from Sale of Capital Asset	-	32,384	-	32,384
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>32,384</b>	<b>(43,448)</b>	<b>(11,064)</b>
<b><u>Net Change in Fund Balance</u></b>	<b>(9,618)</b>	<b>17,104</b>	<b>(217,138)</b>	<b>(209,652)</b>
<b><u>Fund Balances, Beginning of Year</u></b>	<b>12,956</b>	<b>2,176</b>	<b>217,138</b>	<b>232,270</b>
<b><u>Fund Balances, End of Year</u></b>	<b>\$ 3,338</b>	<b>\$ 19,280</b>	<b>\$ -</b>	<b>\$ 22,618</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	<u>2011 Industrial Loan Fund</u>	<u>2006 G.O. Improvement Bonds</u>	<u>2009 G.O. Improvement Bonds</u>	<u>2018 Frontage/ Pine Ave Loan</u>	<u>2023 G.O. Bond</u>	<u>Total Nonmajor Debt Service Funds</u>
<b><u>ASSETS</u></b>						
Cash	\$ -	\$ -	\$ 55,150	\$ 13,907	\$ -	\$ 69,057
Due from Other Governments	-	-	177	-	-	177
Delinquent Property Taxes Receivable	-	-	1,345	-	-	1,345
Special Assessments Receivable	-	-	-	15,526	-	15,526
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,672</b>	<b>\$ 29,433</b>	<b>\$ -</b>	<b>\$ 86,105</b>
<b><u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>						
<b><u>Deferred Inflows of Resources</u></b>						
Unavailable Revenue	\$ -	\$ -	\$ 1,345	\$ 15,526	-	\$ 16,871
<b><u>Fund Balances</u></b>						
Restricted	-	-	55,327	-	-	55,327
Committed	-	-	-	13,907	-	13,907
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>55,327</b>	<b>13,907</b>	<b>-</b>	<b>69,234</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,672</b>	<b>\$ 29,433</b>	<b>\$ -</b>	<b>\$ 86,105</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2023**

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	2023 G.O. Bond	Total Nonmajor Debt Service Funds
<b>Revenues</b>						
General Property Taxes	\$ -	\$ 1,575	\$ 17,709	\$ -	\$ -	\$ 19,284
Special Assessments	-	-	-	10,050	-	10,050
Interest Income	64	452	418	707	-	1,641
<b>Total Revenues</b>	<b>64</b>	<b>2,027</b>	<b>18,127</b>	<b>10,757</b>	<b>-</b>	<b>30,975</b>
<b>Expenditures</b>						
Debt Service:						
Principal	-	-	15,000	8,015	-	23,015
Interest and Fiscal Charges	-	4,746	876	1,567	43,448	50,637
<b>Total Expenditures</b>	<b>-</b>	<b>4,746</b>	<b>15,876</b>	<b>9,582</b>	<b>43,448</b>	<b>73,652</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>64</b>	<b>(2,719)</b>	<b>2,251</b>	<b>1,175</b>	<b>(43,448)</b>	<b>(42,677)</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers Out	(7,218)	(84,539)	-	-	-	(91,757)
Operating Transfers In	-	-	-	-	43,448	43,448
Principal Payments Refunded Bond	-	-	-	-	(1,965,000)	(1,965,000)
Proceeds from Long Term Debt	-	-	-	-	1,965,000	1,965,000
<b>Total Other Financing Sources (Uses)</b>	<b>(7,218)</b>	<b>(84,539)</b>	<b>-</b>	<b>-</b>	<b>43,448</b>	<b>(48,309)</b>
<b>Net Change in Fund Balance</b>	<b>(7,154)</b>	<b>(87,258)</b>	<b>2,251</b>	<b>1,175</b>	<b>-</b>	<b>(90,986)</b>
<b>Fund Balances, Beginning of Year</b>	<b>7,154</b>	<b>87,258</b>	<b>53,076</b>	<b>12,732</b>	<b>-</b>	<b>160,220</b>
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,327</b>	<b>\$ 13,907</b>	<b>\$ -</b>	<b>\$ 69,234</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 356,230	\$ 354,900
Accounts Receivable	22,572	22,572
Special Assessments Receivable	94,561	103,867
Prepaid Expenses	4,105	2,327
Total Current Assets	477,468	483,666
<b><u>Capital Assets</u></b>		
Furniture & Fixtures	7,740	7,740
Other Improvements	2,206,387	2,206,387
	2,214,127	2,214,127
Less: Accumulated Depreciation and Amortization	(1,162,918)	(1,078,888)
Capital Assets, Net of Depreciation and Amortization	1,051,209	1,135,239
<b><u>Total Assets</u></b>	<b>1,528,677</b>	<b>1,618,905</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows Related to Pensions	20,391	31,942
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Current Portion of Bonds Payable	49,000	49,000
Accounts Payable	4,579	7,744
Sales Tax Payable	391	242
Accrued Interest Payable	6,862	7,727
Accrued Salaries and Wages Payable	3,652	3,652
Total Current Liabilities	64,484	68,365
<b><u>Long-Term Liabilities</u></b>		
Bonds Payable, Net of Unamortized Bond Discount	789,625	838,137
Less: Current Portion	(49,000)	(49,000)
Accrued Compensated Absences	11,195	7,037
Net Pension Liability	59,722	75,795
Total Long-Term Liabilities	811,542	871,969
<b><u>Total Liabilities</u></b>	<b>876,026</b>	<b>940,334</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows Related to Pensions	16,706	907
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	261,584	297,102
Restricted	43,783	32,060
Unrestricted	350,969	380,444
<b><u>Total Net Position</u></b>	<b>\$ 656,336</b>	<b>\$ 709,606</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For The Year Ended December 31, 2022

	2023			2022 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 257,244	\$ 218,472	\$ (38,772)	\$ 219,177
<b><u>Operating Expenses</u></b>				
Personnel Services	105,830	129,601	(23,771)	109,038
Utilities	17,800	13,786	4,014	14,834
Supplies and Materials	14,450	11,942	2,508	11,673
Repairs and Maintenance	14,500	16,953	(2,453)	8,623
Contracted Services	4,897	15,164	(10,267)	4,074
Insurance	7,059	8,073	(1,014)	4,722
Depreciation and Amortization	13,000	84,030	(71,030)	84,519
Other Expenses	10,594	17,489	(6,895)	25,137
Total Operating Expenses	188,130	297,038	(108,908)	262,620
<b><u>Operating Income (Loss)</u></b>	<b>69,114</b>	<b>(78,566)</b>	<b>(147,680)</b>	<b>(43,443)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Income	890	10,693	9,803	6,411
Special Assessments	13,645	-	(13,645)	-
Miscellaneous	-	1,971	1,971	1,643
Interest Expense	(30,757)	(17,126)	13,631	(17,877)
Total Non-Operating Revenues (Expenses)	(16,222)	(4,462)	11,760	(9,823)
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<b>52,892</b>	<b>(83,028)</b>	<b>(135,920)</b>	<b>(53,266)</b>
<b><u>Operating Transfers</u></b>				
Transfer to Other Funds	-	-	-	(86,509)
Transfer from Other Funds	-	29,758	29,758	-
Total Operating Transfers	-	29,758	29,758	(86,509)
<b><u>Change in Net Position</u></b>	<b>52,892</b>	<b>(53,270)</b>	<b>(106,162)</b>	<b>(139,775)</b>
<b><u>Net Position, Beginning of Year</u></b>	<b>709,606</b>	<b>709,606</b>	<b>-</b>	<b>849,381</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 762,498</b>	<b>\$ 656,336</b>	<b>\$ (106,162)</b>	<b>\$ 709,606</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

	2023	2022
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 218,472	\$ 218,927
Cash Paid to Employees	(114,166)	(99,829)
Cash Paid to Suppliers	(88,201)	(66,921)
Net Cash Provided by (Used in) Operating Activities	16,105	52,177
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Miscellaneous Revenue	1,971	1,643
Transfers from Other Funds	29,758	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	31,729	1,643
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Transfers to Other Funds	-	(58,323)
Principal Paid on Bonds Payable	(48,512)	(49,000)
Special Assessment Collections	9,306	9,278
Interest and Fees Paid on Bonds	(17,991)	(17,877)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(57,197)	(115,922)
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Income	10,693	6,411
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	1,330	(55,691)
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	354,900	410,591
<b><u>Cash and Cash Equivalents, End of Year</u></b>	\$ 356,230	\$ 354,900

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL WATER ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**  
With Comparative Amounts For December 31, 2022

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

	<u>2023</u>	<u>2022</u>
<b><u>Operating Income (Loss)</u></b>	<b>\$ (78,566)</b>	<b>\$ (43,443)</b>
 <b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u></b>		
<b><u>Provided by (Used in) Operating Activities</u></b>		
Depreciation and Amortization	84,030	84,519
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	-	(250)
(Increase) Decrease in Prepaid Expenses	(1,778)	(863)
(Increase) Decrease in Deferred Outflows of Resources	11,551	(1,856)
Increase (Decrease) in Accounts Payable	(3,165)	3,048
Increase (Decrease) in Sales Tax Payable	149	(43)
Increase (Decrease) in Accrued Compensated Absences	4,158	1,572
Increase (Decrease) in Deferred Inflows of Resources	15,799	(32,010)
Increase (Decrease) in Net Pension Liability	(16,073)	41,503
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<b><u>\$ 16,105</u></b>	<b><u>\$ 52,177</u></b>

**SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Asset Transfers to Governmental Funds	<u>\$ -</u>	<u>\$ 28,186</u>
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**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 337,437	\$ 285,253
Accounts Receivable	23,799	23,799
Property Taxes Receivable	587	693
Special Assessments Receivable	55,006	60,964
Prepaid Expenses	5,413	2,843
Total Current Assets	<u>422,242</u>	<u>373,552</u>
<b><u>Capital Assets</u></b>		
Land and Buildings	16,400	16,400
Furniture, Fixtures and Equipment	18,027	18,027
Other Improvements	<u>3,016,814</u>	<u>3,016,814</u>
	3,051,241	3,051,241
Less: Accumulated Depreciation and Amortization	<u>(2,395,371)</u>	<u>(2,371,753)</u>
Capital Assets, Net of Depreciation and Amortization	<u>655,870</u>	<u>679,488</u>
<b><u>Total Assets</u></b>	<u>1,078,112</u>	<u>1,053,040</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows Related to Pensions	<u>20,391</u>	<u>31,942</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Current Portion of Bonds Payable	16,644	28,000
Accounts Payable	3,120	1,755
Accrued Interest Payable	357	1,681
Accrued Salaries and Wages Payable	<u>3,845</u>	<u>3,845</u>
Total Current Liabilities	<u>23,966</u>	<u>35,281</u>
<b><u>Long-Term Liabilities</u></b>		
Bonds Payable	28,644	56,644
Less: Current Portion	(16,644)	(28,000)
Accrued Compensated Absences	11,794	7,387
Net Pension Liability	<u>59,722</u>	<u>75,795</u>
Total Long-Term Liabilities	<u>83,516</u>	<u>111,826</u>
<b><u>Total Liabilities</u></b>	<u>107,482</u>	<u>147,107</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows Related to Pensions	<u>16,706</u>	<u>907</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	627,226	622,844
Unrestricted	<u>347,089</u>	<u>314,124</u>
<b><u>Total Net Position</u></b>	<u>\$ 974,315</u>	<u>\$ 936,968</u>



**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For The Year Ended December 31, 2022

	2023		Variance - Positive (Negative)	2022 Actual
	Original and Final Budget	Actual		
<b><u>Operating Revenues</u></b>				
Charges for Services	\$ 231,098	\$ 220,901	\$ (10,197)	\$ 221,431
<b><u>Operating Expenses</u></b>				
Personnel Services	109,354	132,914	(23,560)	110,547
Utilities	26,500	21,770	4,730	26,451
Supplies and Materials	8,200	8,339	(139)	4,660
Repairs and Maintenance	12,600	4,897	7,703	52,409
Contracted Services	9,950	19,248	(9,298)	9,915
Insurance	9,663	10,421	(758)	8,128
Depreciation and Amortization	20,000	23,618	(3,618)	28,146
Other Expenses	7,200	12,056	(4,856)	5,791
Total Operating Expenses	203,467	233,263	(29,796)	246,047
<b><u>Operating Income (Loss)</u></b>	27,631	(12,362)	(39,993)	(24,616)
<b><u>Non-Operating Income (Expense)</u></b>				
Interest Income	750	8,494	7,744	4,347
Property Taxes	9,116	9,170	54	7,984
Special Assessments	8,307	52	(8,255)	2
Miscellaneous	-	2,943	2,943	2,192
Interest Expense	(11,001)	(708)	10,293	(2,087)
Total Non-Operating Income (Expense)	7,172	19,951	12,779	12,438
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	34,803	7,589	(27,214)	(12,178)
<b><u>Operating Transfers</u></b>				
Transfer to Other Funds	-	-	-	(86,509)
Transfer from Other Funds	-	29,758	29,758	43,297
Total Operating Transfers	-	29,758	29,758	(43,212)
<b><u>Change in Net Position</u></b>	34,803	37,347	2,544	(55,390)
<b><u>Net Position, Beginning of Year</u></b>	936,968	936,968	-	992,358
<b><u>Net Position, End of Year</u></b>	\$ 971,771	\$ 974,315	\$ 2,544	\$ 936,968

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

	2023	2022
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 220,901	\$ 220,939
Cash Paid to Employees	(117,230)	(104,595)
Cash Paid to Suppliers	(77,936)	(107,262)
Net Cash Provided by (Used in) Operating Activities	25,735	9,082
 <b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Miscellaneous Revenue	2,943	2,192
Transfers From Other Funds	29,758	43,297
Net Cash Provided by (Used in) Non-Capital Financing Activities	32,701	45,489
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Transfers To Other Funds	-	(58,324)
Principal Paid on Bonds Payable	(28,000)	(27,000)
Property Taxes Proceeds	9,276	7,984
Special Assessment Proceeds	6,010	5,890
Interest and Fees Paid on Bonds	(2,032)	(2,087)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(14,746)	(73,537)
 <b><u>Cash Flows from Investing Activities</u></b>		
Interest Income	8,494	4,347
 <b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	52,184	(14,619)
 <b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	285,253	299,872
 <b><u>Cash and Cash Equivalents, End of Year</u></b>	\$ 337,437	\$ 285,253

CITY OF BLACKDUCK, MINNESOTA  
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND  
SCHEDULE OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023  
 With Comparative Amounts For December 31, 2022

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

	2023	2022
<u>Operating Income (Loss)</u>	\$ (12,362)	\$ (24,616)
 <u>Adjustments to Reconcile Operating Income (Loss) to</u>		
<u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	23,618	28,146
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	-	(600)
(Increase) Decrease in Due from Other Governments	-	108
(Increase) Decrease in Prepaid Expenses	(2,570)	-
(Increase) Decrease in Deferred Outflows of Resources	11,551	879
Increase (Decrease) in Accounts Payable	1,365	92
Increase (Decrease) in Accrued Compensated Absences	4,407	1,689
Increase (Decrease) in Deferred Inflows of Resources	15,799	(35,002)
Increase (Decrease) in Net Pension Liability	(16,073)	38,386
	<u>\$ 25,735</u>	<u>\$ 9,082</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 25,735</u>	<u>\$ 9,082</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Asset Transfers to Governmental Funds	\$ -	\$ 28,185
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**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2023**

With Comparative Amounts For December 31, 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 13,442	\$ 14,636
Accounts Receivable	5,235	18,471
Inventory	88,758	89,937
Prepaid Expenses	12,663	9,430
Total Current Assets	120,098	132,474
<b><u>Capital Assets</u></b>		
Land and Buildings	1,128,815	1,128,815
Furniture, Fixtures and Equipment	68,511	71,623
Other Improvements	46,054	46,054
Right to Use Lease - Equipment	64,384	64,384
	1,307,764	1,310,876
Less: Accumulated Depreciation and Amortization	(438,570)	(400,042)
Capital Assets, Net of Depreciation and Amortization	869,194	910,834
<b><u>Non-Current Assets</u></b>		
Due from Other Funds	136,088	171,383
<b><u>Total Assets</u></b>	<b>1,125,380</b>	<b>1,214,691</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows Related to Pensions	78,169	139,383
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Current Portion of Bonds and Leases Payable	36,843	42,944
Accounts Payable	58,243	89,798
Sales Taxes Payable	11,993	20,032
Accrued Salaries and Wages Payable	17,892	17,892
Accrued Interest Payable	4,379	4,517
Total Current Liabilities	129,350	175,183
<b><u>Long-Term Liabilities</u></b>		
Accrued Compensated Absences	21,974	21,275
Bonds and Leases Payable	633,840	683,480
Current Portion of Bonds and Leases Payable	(36,843)	(42,944)
Net Pension Liability	228,931	330,740
Total Long-Term Liabilities	847,902	992,551
<b><u>Total Liabilities</u></b>	<b>977,252</b>	<b>1,167,734</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows Related to Pensions	64,042	3,960
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	235,354	227,354
Unrestricted	(73,099)	(44,974)
<b><u>Total Net Position</u></b>	<b>\$ 162,255</b>	<b>\$ 182,380</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2023**  
With Comparative Amounts For December 31, 2022

	2023		Variance - Positive (Negative)	2022 Actual
	Original and Final Budget	Actual		
<b><u>Sales</u></b>	\$ 1,503,800	\$ 1,671,654	\$ 167,854	\$ 1,610,414
<b><u>Cost of Sales</u></b>	(798,000)	(947,033)	(149,033)	(951,968)
<b><u>Gross Profit</u></b>	705,800	724,621	18,821	658,446
<b><u>Operating Revenues</u></b>	19,500	25,202	5,702	28,091
<b><u>Total Gross Profit and Operating Revenues</u></b>	725,300	749,823	24,523	686,537
<b><u>Operating Expenses</u></b>				
Personnel Services	435,184	448,761	(13,577)	507,223
Utilities	43,700	44,354	(654)	56,077
Supplies and Materials	21,200	12,882	8,318	46,629
Advertising and Promotion	6,500	9,363	(2,863)	6,595
Repairs and Maintenance	10,000	4,541	5,459	12,053
Contracted Services	16,000	33,787	(17,787)	19,332
Insurance	25,069	27,159	(2,090)	21,674
Depreciation and Amortization	-	48,261	(48,261)	48,936
Other Expenses	59,217	76,731	(17,514)	70,498
<b>Total Operating Expenses</b>	<b>616,870</b>	<b>705,839</b>	<b>(88,969)</b>	<b>789,017</b>
<b><u>Operating Income</u></b>	<b>88,930</b>	<b>43,984</b>	<b>(44,946)</b>	<b>(102,480)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest Income	1,000	1,218	218	881
State Aid	-	-	-	1,431
Rental Income	15,500	12,401	(3,099)	15,086
Interest Expense	(10,675)	(20,228)	(9,553)	(11,337)
<b>Total Non-Operating Revenues</b>	<b>5,825</b>	<b>(6,609)</b>	<b>(12,434)</b>	<b>6,061</b>
<b><u>Net Income (Loss) Before Operating Transfers</u></b>	<b>94,755</b>	<b>37,375</b>	<b>(57,380)</b>	<b>(96,419)</b>
<b><u>Operating Transfers</u></b>				
Transfer To Other Funds	(57,500)	(57,500)	-	(27,500)
<b><u>Change in Net Position</u></b>	<b>37,255</b>	<b>(20,125)</b>	<b>(57,380)</b>	<b>(123,919)</b>
<b><u>Net Position, Beginning of Year</u></b>	<b>182,380</b>	<b>182,380</b>	<b>-</b>	<b>306,299</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 219,635</b>	<b>\$ 162,255</b>	<b>\$ (57,380)</b>	<b>\$ 182,380</b>

**CITY OF BLACKDUCK, MINNESOTA**  
**MUNICIPAL LIQUOR STORE ENTERPRISE FUND**  
**SCHEDULE OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**  
With Comparative Amounts For December 31, 2022

	2023	2022
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	1,710,092	\$ 1,634,578
Cash Paid to Employees	(428,575)	(433,333)
Cash Paid to Suppliers	(1,197,498)	(1,232,831)
Net Cash Provided by (Used in) Operating Activities	84,019	(31,586)
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Transfers To Other Funds	(57,500)	(27,500)
Interfund Financing	35,295	(59,629)
State Aid	-	1,431
Net Cash Provided by (Used in) Non-Capital Financing Activities	(22,205)	(85,698)
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Principal Paid on Lease Liabilities	(19,640)	(12,386)
Principal Paid on Debt	(30,000)	-
Interest and Fees Paid on Debt	(20,366)	(6,820)
Purchase of Property and Equipment	(6,621)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(76,627)	(19,206)
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Income	1,218	881
Rental Income	12,401	15,086
Net Cash Provided by (Used in) Investing Activities	13,619	15,967
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	(1,194)	(120,523)
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	14,636	135,159
<b><u>Cash and Cash Equivalents, End of Year</u></b>	\$ 13,442	\$ 14,636

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

<b><u>Operating Income (Loss)</u></b>	\$ 43,984	\$ (102,480)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u></b>		
<b><u>Provided by (Used in) Operating Activities</u></b>		
Depreciation and Amortization	48,261	48,936
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	13,236	(3,927)
(Increase) Decrease Inventory	1,179	(4,590)
(Increase) Decrease Prepaid Expenses	(3,233)	(1,590)
(Increase) Decrease Deferred Outflows of Resources	61,214	(35,450)
Increase (Decrease) Accounts Payable	(31,555)	(47,831)
Increase (Decrease) Sales Tax Payable	(8,039)	6,006
Increase (Decrease) Accrued Salaries and Wages Payable	-	2,250
Increase (Decrease) Accrued Compensated Absences	699	4,564
Increase (Decrease) Deferred Inflows of Resources	60,082	(109,752)
Increase (Decrease) Net Pension Liability	(101,809)	212,278
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	\$ 84,019	\$ (31,586)

CITY OF BLACKDUCK, MINNESOTA  
BLACKDUCK, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Pass-Through Grant Number</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		\$ 2,013,000
U.S. Department of Homeland Security Pass-Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	P079221402	19,173
U.S. Department of Treasury Pass-Through Minnesota Department of Revenue COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	G90ARPADIST	<u>15,000</u>
<b><u>Total Federal Expenditures</u></b>			<b><u>\$ 2,047,173</u></b>

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. The amount listed for loans includes the beginning balance plus proceeds used during the year. The balance owing at the end of the period was \$1,965,000.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2023, 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 June 21, 2024.

**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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-004 and 2023-005 to be material weaknesses.



## 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 2023-001, 2023-002, and 2023-003 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 Blackduck, 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 2023-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Blackduck, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### 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. The 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.*

Bemidji, Minnesota  
June 21, 2024



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**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, 2023. 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, 2023.

**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 any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Miller McDonald, Inc.*

Bemidji, Minnesota  
June 21, 2024

**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2023**

**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, 2023**

**II. FINDINGS – FINANCIAL STATEMENT AUDIT.**

**Internal Control**

**Finding 2023-001: 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, 2023**

**Finding 2023-002: 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, 2023**

**Finding 2023-003 – Balance Sheet Reconciliations**

**Condition:** The City did not reconcile the credit card receivable balance, which lead to an error in deposit coding to not be discovered in a timely manner.

**Criteria:** Reconciliations are an essential internal control and the City should have the controls in place to prevent reconciliation errors.

**Cause:** The City was not reconciling the credit card receivable balance.

**Effect:** Controls did not catch the incorrect receivable balance and that balance was carried forward for 6 months.

**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. The City will reconcile the credit card receivable balance going forward.*

**Finding 2023-004 – 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.*



**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2023**

**Finding 2023-005 – Reconciliations of Transfers**

**Condition:** The City did not reconcile the transfer activity resulting in an overstatement of revenue and expense.

**Criteria:** Reconciliations are an essential internal control and the City should have the controls in place to prevent reconciliation errors.

**Cause:** The City was not reconciling the transfer activity.

**Effect:** Controls did not catch the incorrect transfer balance and that balance resulted in an overstatement of revenue and expense.

**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 reconcile the transfer activity in the future.*

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

**Finding: 2023-006 – Contracting and Bidding**

**Condition:** The City did not have the quotations on file for two of the six purchase requested for contracts under \$25,000.

**Criteria:** Minn. Stat. § 471.345, subd. 5 requires all quotations to be kept on file for a period of at least one year after their receipt.

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

**Cause:** The City did not have controls in place to comply with bid and quote requirements.

**Recommendation:** The City should implement controls over compliance with requirements related to *Minnesota Statutes* covering contracting and bidding procedures.

**Views of Responsible Officials and Planned Corrective Actions:** *There is no disagreement with the finding. Staff will review its procedures to ensure that documentation is retained for contract purchases.*

**CITY OF BLACKDUCK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2023**

**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 AUDIT FINDINGS**  
**DECEMBER 31, 2023**

**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.

**Current:** Finding unresolved, see 2023-001

**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.

**Current:** Finding unresolved, see 2023-002

**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.

**Current:** Finding unresolved, see 2023-004

**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.

**Current:** Finding resolved.