

CITY OF BLACKDUCK, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2019

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CITY OF BLACKDUCK, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2019
(Unaudited)

		<u>Term Expires</u>
Mayor	Rudy Patch	12/31/20
Vice-Mayor	Jason Kolb	12/31/20
Council	William Sellon	12/31/22
	Paige Moore	12/31/22
	Maxwell Gullette	12/31/20
Administrator	Christina Regas	Appointive



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of December 31, 2019, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in the year ended December 31, 2019, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's and Non-Employer Proportionate Share of the Net Pension Liability, the Schedule of City's Contributions, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Blackduck Fire Relief Association, Schedule of Employer and Non-Employer Contributions – Blackduck Fire Relief Association and Schedule of Investment Returns – Blackduck Fire Relief Association on pages 5 through 11 and pages 58 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during

our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2020, on our consideration of the City of Blackduck, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Blackduck, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blackduck, Minnesota's internal control over financial reporting and compliance.

Miller McDonald, Inc.

April 14, 2020
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$4,837,070. Of this amount, \$1,673,127 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 \$1,827,501. Of this total amount, approximately 58%, or \$1,064,441 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 \$320,806. All of this was in the General Fund.
- Total outstanding long-term debt was \$1,522,006 at the end of the year. The majority of the debt has primary revenue sources to cover debt service payments from sources other than property taxes. Special assessment and revenue debt account for \$1,277,163 or 84% 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, 2019

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

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

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

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

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

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

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

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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

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

Notes to Financial Statements - The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 57 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 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,837,070.

The largest portion of the City's net position, 48%, reflects its Net Investment in Capital Assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and Other Assets	\$ 2,055,863	\$ 2,027,687	\$ 1,128,907	\$ 1,179,577	\$ 3,184,770	\$ 3,207,264
Capital Assets, Net of Depreciation	1,284,984	1,314,969	2,456,539	2,456,082	3,741,523	3,771,051
Total Assets	3,340,847	3,342,656	3,585,446	3,635,659	6,926,293	6,978,315
Deferred Outflows of Resources	161,707	206,231	36,314	65,693	198,021	271,924
Liabilities:						
Long-Term Liabilities Outstanding	394,515	457,791	1,482,669	1,653,751	1,877,184	2,111,542
Other Liabilities	65,604	49,616	90,976	108,373	156,580	157,989
Total Liabilities	460,119	507,407	1,573,645	1,762,124	2,033,764	2,269,531
Deferred Inflows of Resources	184,413	258,103	69,067	63,957	253,480	322,060
Net Position:						
Net Investment in Capital Assets	1,102,931	1,076,553	1,204,334	1,051,536	2,307,265	2,128,089
Restricted	855,280	821,788	-	-	855,280	821,788
Unrestricted	899,811	885,036	774,714	823,735	1,674,525	1,708,771
Total Net Position	\$ 2,858,022	\$ 2,783,377	\$ 1,979,048	\$ 1,875,271	\$ 4,837,070	\$ 4,658,648

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

A portion of the City's net position, approximately 18%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,674,525, 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 \$74,645.
Business-type Activities – Net position of the City's business-type activities increased by \$103,777.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 110,617	\$ 114,414	\$ 1,697,600	\$ 1,629,996	\$ 1,808,217	\$ 1,744,410
Operating Grants and Contributions	95,624	63,043	-	949	95,624	63,992
Capital Grants and Contributions	-	-	81,548	9,020	81,548	9,020
General Revenues:						
Property Taxes and Special Assessments	270,126	305,947	24,325	290,976	294,451	596,923
Grants and aids Not Restricted for Specific Programs	258,328	265,778	-	-	258,328	265,778
Fines and Fees	592	1,370	-	-	592	1,370
Interest Income	18,013	11,700	17,525	3,476	35,538	15,176
Rental Income	-	-	9,879	9,964	9,879	9,964
Other	16,745	18,152	1,209	1,905	17,954	20,057
Total Revenues	770,045	780,404	1,832,086	1,946,286	2,602,131	2,726,690
Expenses:						
General Government	171,521	149,289	-	-	171,521	149,289
Public Safety	282,320	238,051	-	-	282,320	238,051
Streets and Highways	162,787	154,508	-	-	162,787	154,508
Economic Development	27,316	58,377	-	-	27,316	58,377
Culture and Recreation	72,927	62,320	-	-	72,927	62,320
Cemetery	5,698	5,385	-	-	5,698	5,385
Interest and Fiscal Fees	37,831	38,421	-	-	37,831	38,421
Municipal Water	-	-	220,534	205,820	220,534	205,820
Municipal Sewage Disposal	-	-	154,944	211,248	154,944	211,248
Municipal Golf Course	-	-	155,600	131,665	155,600	131,665
Municipal Liquor Store	-	-	1,132,231	1,082,140	1,132,231	1,082,140
Total Expenses	760,400	706,351	1,663,309	1,630,873	2,423,709	2,337,224
Increase (Decrease) in Net Position Before Transfers	9,645	74,053	168,777	315,413	178,422	389,466
Transfers	65,000	90,000	(65,000)	(90,000)	-	-
Special Item - Loan Repayment	-	(58,189)	-	-	-	(58,189)
Change in Net Position	74,645	105,864	103,777	225,413	178,422	331,277
Net Position, Beginning of Year	2,783,377	2,677,513	1,875,271	1,649,858	4,658,648	4,327,371
Net Position, End of Year	\$ 2,858,022	\$ 2,783,377	\$ 1,979,048	\$ 1,875,271	\$ 4,837,070	\$ 4,658,648

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, 2019

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 2019 fiscal year, the City's governmental funds reported combined fund balances of \$1,827,501. Approximately 18% of this total amount, or \$320,806, constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balances made up of nonspendable of \$13,884, restricted for notes receivable of \$228,627, restricted for debt service of \$135,030 and other committed, assigned and restricted of \$1,129,154.

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

The unrestricted net position in the respective proprietary funds are municipal liquor \$260,804, municipal sewage \$243,923, municipal water \$404,921 and municipal golf course (\$134,934). While total net position before operating transfers for the current year ended increased in the municipal water fund, the municipal sewage disposal fund and the municipal liquor store fund, the total net position decreased for the municipal golf course fund.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

General Fund Budgetary Highlights

The City did not amend the 2019 budget. The 2019 budget for the General Fund anticipated revenues and other financing sources in excess of expenditures and other financing uses of \$10,000. Actual results for the General Fund for 2019 show expenditures and other financing uses in excess of revenues and other financing sources of \$51,569.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$3,741,523 (net of accumulated depreciation). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land and Buildings	\$ 751,114	\$ 751,114	\$ 2,854,228	\$ 2,854,228	\$ 3,605,342	\$ 3,605,342
Furniture, Fixtures, and Equipment	884,354	824,147	444,530	444,693	1,328,884	1,268,840
Other Improvements	1,218,438	1,218,438	2,998,061	1,767,848	4,216,499	2,986,286
Construction in Progress	-	-	-	1,131,729	-	1,131,729
Less Accumulated Depreciation	(1,568,922)	(1,478,730)	(3,840,280)	(3,742,416)	(5,409,202)	(5,221,146)
Total	<u>\$ 1,284,984</u>	<u>\$ 1,314,969</u>	<u>\$ 2,456,539</u>	<u>\$ 2,456,082</u>	<u>\$ 3,741,523</u>	<u>\$ 3,771,051</u>

Additional information on the City's capital assets can be found in Note 2 on pages 35 and 36 of this report.

Long Term Debt

At the end of the current fiscal year, the City had \$1,522,006 in bonds, notes and capital leases outstanding. The full faith and credit of the City back this debt. However, some of this debt has primary repayment sources other than property taxes. These primary sources include tax increment financing, special assessments and charges for services.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ -	\$ -	\$ 81,000	\$ 93,000	\$ 81,000	\$ 93,000
G.O. Special Assessment Bonds	170,000	220,000	64,000	74,000	234,000	294,000
General Obligation Revenue Bonds	-	-	875,000	930,000	875,000	930,000
Capital Leases Payable	15,800	23,135	-	-	15,800	23,135
Notes Payable	76,399	88,737	239,807	315,691	316,206	404,428
Total	<u>\$ 262,199</u>	<u>\$ 331,872</u>	<u>\$ 1,259,807</u>	<u>\$ 1,412,691</u>	<u>\$ 1,522,006</u>	<u>\$ 1,744,563</u>

A total of \$253,029 was retired throughout the year. A more detailed breakdown of these obligations can be found in Note 2 on pages 37 through 39.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Economic Factors and Next Year's Budget and Rates

The City's elected officials and staff considered many factors when setting the fiscal year 2020 budget, rates, tax levy and fees, and as a result, the 2020 levy increased from 2019. Factors considered by the City included financial support for the municipal golf course, water and sewer base rates to support the increasing maintenance costs for the infrastructure; and the increased need to maintain and repair several city streets. The City continues to strive to be fiscally responsible and yet maintain existing services to our residents while setting goals for future improvements to the City's infrastructure.

Requests for Information

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

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,533,026	\$ 727,255	\$ 2,260,281
Petty Cash	300	-	300
Cash on Hand	-	2,501	2,501
Accounts Receivable	3,118	50,939	54,057
Special Assessments Receivable	89,396	225,270	314,666
Due from Other Governments	26,761	1,112	27,873
Notes Receivable	237,486	-	237,486
Delinquent Property Taxes Receivable	20,019	964	20,983
Inventory	-	106,097	106,097
Prepaid Expenses	13,884	14,769	28,653
Capital Assets, Net of Depreciation	1,284,984	2,456,539	3,741,523
Net Pension Asset	131,873	-	131,873
<u>Total Assets</u>	<u>3,340,847</u>	<u>3,585,446</u>	<u>6,926,293</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to Pensions	161,707	36,314	198,021
<u>LIABILITIES</u>			
Accounts Payable	22,850	60,066	82,916
Sales Tax Payable	-	11,131	11,131
Accrued Interest Payable	2,131	10,616	12,747
Accrued Salaries and Wages Payable	9,100	9,163	18,263
Due to Other Governments	21,523	-	21,523
Unearned Revenues	10,000	-	10,000
Noncurrent Liabilities			
Due Within One Year	57,705	101,000	158,705
Due in More Than One Year	137,467	1,164,941	1,302,408
Net Pension Liability	199,343	216,728	416,071
<u>Total Liabilities</u>	<u>460,119</u>	<u>1,573,645</u>	<u>2,033,764</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to Pensions	184,413	69,067	253,480
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,102,931	1,204,334	2,307,265
Restricted for Economic Development	251,343	-	251,343
Restricted for Debt Service	159,474	-	159,474
Restricted for Capital Projects	232,404	-	232,404
Restricted for Pensions	157,022	-	157,022
Restricted for Other Purposes	55,037	-	55,037
Unrestricted	899,811	774,714	1,674,525
<u>Total Net Position</u>	<u>\$ 2,858,022</u>	<u>\$ 1,979,048</u>	<u>\$ 4,837,070</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 171,521	\$ 12,160	\$ -	\$ -	\$ (159,361)	\$ -	\$ (159,361)
Public Safety	282,320	78,978	84,624	-	(118,718)	-	(118,718)
Streets and Highways	162,787	-	-	-	(162,787)	-	(162,787)
Economic Development	27,316	-	-	-	(27,316)	-	(27,316)
Culture and Recreation	72,927	16,028	11,000	-	(45,899)	-	(45,899)
Cemetery	5,698	3,451	-	-	(2,247)	-	(2,247)
Interest and Fiscal Fees	37,831	-	-	-	(37,831)	-	(37,831)
Total Governmental Activities	760,400	110,617	95,624	-	(554,159)	-	(554,159)
BUSINESS-TYPE ACTIVITIES							
Municipal Water	220,534	207,465	-	30,165	-	17,096	17,096
Municipal Sewage Disposal	154,944	155,189	-	51,383	-	51,628	51,628
Municipal Golf Course	155,600	91,702	-	-	-	(63,898)	(63,898)
Municipal Liquor Store	1,132,231	1,243,244	-	-	-	111,013	111,013
Total Business-Type Activities	1,663,309	1,697,600	-	81,548	-	115,839	115,839
Total Primary Government	\$ 2,423,709	\$ 1,808,217	\$ 95,624	\$ 81,548	(554,159)	115,839	(438,320)
General Revenues:							
Property Taxes and Special Assessments					270,126	24,325	294,451
Grants and Aids Not Restricted for Specific Programs					258,328	-	258,328
Fines and Fees					592	-	592
Interest Income					18,013	17,525	35,538
Rental Income					-	9,879	9,879
Other					16,745	1,209	17,954
Transfers In (Out)					65,000	(65,000)	-
Total General Revenues and Transfers					628,804	(12,062)	616,742
Change in Net Position					74,645	103,777	178,422
Net Position, Beginning of Year					2,783,377	1,875,271	4,658,648
Net Position, End of Year					\$ 2,858,022	\$ 1,979,048	\$ 4,837,070

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 345,457	\$ 141,758	\$ 1,045,811	\$ 1,533,026
Petty Cash	300	-	-	300
Accounts Receivable	3,118	-	-	3,118
Due from Other Governments	5,337	-	1,616	6,953
Notes Receivable	-	313,885	-	313,885
Delinquent Property Taxes Receivable	15,472	-	4,547	20,019
Special Assessments Receivable	-	-	89,396	89,396
Prepaid Expenses	12,632	-	1,252	13,884
<u>Total Assets</u>	<u>\$ 382,316</u>	<u>\$ 455,643</u>	<u>\$ 1,142,622</u>	<u>\$ 1,980,581</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 22,745	\$ -	\$ 105	\$ 22,850
Accrued Salaries and Wages Payable	8,946	-	154	9,100
Due to Other Governments	1,715	-	-	1,715
Unearned Revenues	-	-	10,000	10,000
<u>Total Liabilities</u>	<u>33,406</u>	<u>-</u>	<u>10,259</u>	<u>43,665</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	15,472	-	93,943	109,415
<u>Fund Balances</u>				
Nonspendable	12,632	-	1,252	13,884
Restricted	-	228,627	520,549	749,176
Committed	-	-	77,560	77,560
Assigned	-	227,016	439,059	666,075
Unassigned	320,806	-	-	320,806
<u>Total Fund Balances</u>	<u>333,438</u>	<u>455,643</u>	<u>1,038,420</u>	<u>1,827,501</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 382,316</u>	<u>\$ 455,643</u>	<u>\$ 1,142,622</u>	<u>\$ 1,980,581</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	1,827,501
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 2,853,906	
Less Accumulated Depreciation	<u>(1,568,922)</u>	1,284,984
 Unearned and unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		
		109,415
 Inter-government receivable is reported in the governmental funds but are not in the governmental activities.		
		(76,399)
 Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
		(13,118)
 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.		
		(381,397)
 Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(2,131)
 Amounts pertaining to the Blackduck Fire Relief Association pension plan are not current financial resources and, therefore, are not reported in governmental funds:		
Net Pension Asset	131,873	
Deferred Outflows of Resources	<u>25,149</u>	157,022
 Deferred outflows and inflows of resources related to City pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred Outflows of Resources	136,558	
Deferred Inflows of Resources	<u>(184,413)</u>	<u>(47,855)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u>2,858,022</u>

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, 2019

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes and Special Assessments	\$ 182,100	\$ -	\$ 78,369	\$ 260,469
Licenses and Permits	3,785	-	-	3,785
Intergovernmental Revenues	294,577	-	11,000	305,577
Tax Increments	-	-	32,505	32,505
Charges for Services	87,423	-	19,479	106,902
Fines and Fees	592	-	-	592
Interest Income	3,296	6,254	8,463	18,013
Donations and Grants	-	-	27,000	27,000
Other	13,085	1,735	1,855	16,675
<u>Total Revenues</u>	<u>584,858</u>	<u>7,989</u>	<u>178,671</u>	<u>771,518</u>
<u>Expenditures</u>				
Current:				
General Government	146,674	-	-	146,674
Public Safety	277,739	-	-	277,739
Streets and Highways	136,286	-	-	136,286
Economic Development	-	2,126	-	2,126
Culture and Recreation	43,754	-	20,472	64,226
Cemetery	-	-	5,944	5,944
Capital Outlay	60,474	-	75	60,549
Debt Service:				
Principal	6,985	-	62,338	69,323
Interest and Fiscal Charges	1,515	-	36,350	37,865
<u>Total Expenditures</u>	<u>673,427</u>	<u>2,126</u>	<u>125,179</u>	<u>800,732</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(88,569)</u>	<u>5,863</u>	<u>53,492</u>	<u>(29,214)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	69,000	-	32,000	101,000
Operating Transfers Out	(32,000)	(4,000)	-	(36,000)
<u>Total Other Financing Sources (Uses)</u>	<u>37,000</u>	<u>(4,000)</u>	<u>32,000</u>	<u>65,000</u>
<u>Net Change in Fund Balance</u>	<u>(51,569)</u>	<u>1,863</u>	<u>85,492</u>	<u>35,786</u>
<u>Fund Balances, Beginning of Year</u>	<u>385,007</u>	<u>453,780</u>	<u>952,928</u>	<u>1,791,715</u>
<u>Fund Balances, End of Year</u>	<u>\$ 333,438</u>	<u>\$ 455,643</u>	<u>\$ 1,038,420</u>	<u>\$ 1,827,501</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 35,786

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	\$ 60,207	
Depreciation	<u>(90,192)</u>	(29,985)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (22,848)

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: (447)

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

Special Assessment Bonds	50,000	
Other Debt	12,338	
Capital Lease	7,335	
Net Amortization of Bond Discount	<u>(973)</u>	68,700

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. 657

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

City and Fire Relief Pension Contributions	47,541	
Cost of Benefits Earned Net of Employee Contributions	<u>(24,759)</u>	<u>22,782</u>

CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES \$ 74,645

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal	Municipal	Municipal	Municipal		
	Water	Sewage	Golf	Liquor	2019	2018
Fund	Disposal	Course	Store			
Fund	Fund	Fund	Fund			
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 301,617	\$ 191,586	\$ -	\$ 234,553	\$ 727,756	\$ 764,776
Cash on Hand	-	-	-	2,000	2,000	2,500
Accounts Receivable	23,168	22,274	259	5,238	50,939	36,675
Property Taxes Receivable	-	700	264	-	964	645
Special Assessments Receivable	140,542	84,728	-	-	225,270	258,247
Due from Other Governments	223	485	404	-	1,112	116
Inventory	-	-	-	106,097	106,097	101,308
Prepaid Expenses	1,464	2,843	2,622	7,840	14,769	15,310
Total Current Assets	467,014	302,616	3,549	355,728	1,128,907	1,179,577
Capital Assets						
Land and Buildings	-	2,289,673	208,712	355,843	2,854,228	2,854,228
Furniture, Fixtures and Equipment	-	11,944	363,705	62,381	438,030	438,193
Other Improvements	2,206,386	743,541	-	54,634	3,004,561	1,774,348
Construction in Progress	-	-	-	-	-	1,131,729
	2,206,386	3,045,158	572,417	472,858	6,296,819	6,198,498
Less: Accumulated Depreciation	(828,217)	(2,288,431)	(400,520)	(323,112)	(3,840,280)	(3,742,416)
Capital Assets, Net of Depreciation	1,378,169	756,727	171,897	149,746	2,456,539	2,456,082
Noncurrent Assets						
Due from Other Funds	-	-	-	110,878	110,878	82,250
Total Assets	1,845,183	1,059,343	175,446	616,352	3,696,324	3,717,909
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	6,744	7,263	3,631	18,676	36,314	65,693
LIABILITIES						
Current Liabilities						
Current Portion of Bonds Payable	52,000	26,000	23,000	-	101,000	183,356
Accounts Payable	3,257	1,520	1,448	53,841	60,066	78,737
Sales Tax Payable	283	-	-	10,848	11,131	11,037
Accrued Interest Payable	7,727	1,681	1,208	-	10,616	12,363
Accrued Salaries and Wages Payable	1,355	2,338	-	5,470	9,163	6,236
Total Current Liabilities	64,622	31,539	25,656	70,159	191,976	291,729
Long-Term Liabilities						
Due to Other Funds	-	-	110,878	-	110,878	82,250
Bonds Payable, Net of Unamortized Bond Discount	985,834	135,644	130,727	-	1,252,205	1,404,546
Less: Current Portion	(52,000)	(26,000)	(23,000)	-	(101,000)	(183,356)
Compensated Absences	3,139	3,258	-	7,339	13,736	11,546
Net Pension Liability	40,249	43,346	21,673	111,460	216,728	237,659
Total Long-Term Liabilities	977,222	156,248	240,278	118,799	1,492,547	1,552,645
Total Liabilities	1,041,844	187,787	265,934	188,958	1,684,523	1,844,374
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	12,827	13,813	6,907	35,520	69,067	63,957
NET POSITION						
Net Investment in Capital Assets	392,335	621,083	41,170	149,746	1,204,334	1,088,963
Unrestricted	404,921	243,923	(134,934)	260,804	774,714	786,308
Total Net Position	\$ 797,256	\$ 865,006	\$ (93,764)	\$ 410,550	\$ 1,979,048	\$ 1,875,271

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, 2019
With Comparative Amounts For Year Ended December 31, 2018

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	
	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>	<u>Municipal</u>		
	<u>Water</u>	<u>Sewage</u>	<u>Golf</u>	<u>Liquor</u>	<u>2019</u>	<u>2018</u>
<u>Fund</u>	<u>Disposal</u>	<u>Course</u>	<u>Store</u>			
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>			
<u>Sales and Cost of Sales</u>						
Sales	\$ -	\$ -	\$ 12,399	\$ 1,243,244	\$ 1,255,643	\$ 1,179,516
Cost of Sales	-	-	(8,000)	(740,168)	(748,168)	(712,374)
Gross Profit	-	-	4,399	503,076	507,475	467,142
<u>Operating Revenues</u>	207,451	155,182	72,548	-	435,181	450,480
<u>Total Gross Profit and Operating Revenues</u>	207,451	155,182	76,947	503,076	942,656	917,622
<u>Operating Expenses</u>						
Personnel Services	78,075	82,189	73,986	229,468	463,718	419,813
Utilities	11,623	26,588	6,617	34,476	79,304	66,402
Supplies and Materials	7,851	2,526	7,931	21,766	40,074	40,154
Advertising and Printing	-	-	-	13,742	13,742	11,282
Repairs and Maintenance	10,692	8,773	18,268	7,599	45,332	44,753
Contracted Services	8,763	3,393	-	7,292	19,448	17,777
Insurance	3,752	5,620	7,583	18,800	35,755	36,338
Depreciation and Amortization	70,006	14,374	21,226	15,727	121,333	186,181
Other Expenses	10,019	5,580	9,053	43,193	67,845	65,344
Total Operating Expenses	200,781	149,043	144,664	392,063	886,551	888,044
<u>Operating Income (Loss)</u>	6,670	6,139	(67,717)	111,013	56,105	29,578
<u>Non-Operating Revenues (Expenses)</u>						
Interest Income	8,146	4,720	-	4,666	17,532	3,476
Rental Income	-	-	-	9,879	9,879	9,964
Fiscal Agent Fees	-	(16)	-	-	(16)	-
Intergovernmental Grants and Aids	30,165	51,383	5,824	-	87,372	9,969
Miscellaneous	27	989	896	-	1,912	1,505
Property Taxes	-	8,147	16,213	-	24,360	8,413
Special Assessments	-	-	-	-	-	282,563
Interest Expense	(19,546)	(5,885)	(2,936)	-	(28,367)	(30,055)
Total Non-Operating Revenues (Expenses)	18,792	59,338	19,997	14,545	112,672	285,835
<u>Net Income (Loss) Before Operating Transfers</u>	25,462	65,477	(47,720)	125,558	168,777	315,413
<u>Operating Transfers</u>						
Transfer to Other Funds	-	-	-	(75,000)	(75,000)	(90,000)
Transfer from Other Funds	-	-	10,000	-	10,000	-
Total Operating Transfers	-	-	10,000	(75,000)	(65,000)	(90,000)
<u>Net Income (Loss)</u>	25,462	65,477	(37,720)	50,558	103,777	225,413
<u>Net Position, Beginning of Year</u>	771,794	799,529	(56,044)	359,992	1,875,271	1,649,858
<u>Net Position, End of Year</u>	\$ 797,256	\$ 865,006	\$ (93,764)	\$ 410,550	\$ 1,979,048	\$ 1,875,271

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts For Year Ended December 31, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal	Municipal	Municipal	Municipal		
	Water	Sewage	Golf	Liquor	2019	2018
Fund	Disposal	Course	Store			
Fund	Fund	Fund	Fund			
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$ 201,876	\$ 150,355	\$ 84,492	\$ 1,238,577	\$ 1,675,300	\$ 1,638,307
Cash Paid to Employees	(81,078)	(84,427)	(62,915)	(216,623)	(445,043)	(411,730)
Cash Paid to Suppliers	(60,773)	(65,359)	(58,025)	(888,336)	(1,072,493)	(974,891)
<u>Net Cash Provided by (Used in)</u>						
<u>Operating Activities</u>	60,025	569	(36,448)	133,618	157,764	251,686
<u>Cash Flows from Non-Capital</u>						
<u>Financing Activities</u>						
Miscellaneous Revenue	27	989	896	-	1,912	1,505
Interfund Financing	-	-	28,628	(28,628)	-	-
State Aid	-	-	-	-	-	949
Transfers To Other Funds	-	-	-	(75,000)	(75,000)	(90,000)
Transfers From Other Funds	-	-	10,000	-	10,000	-
<u>Net Cash Provided by (Used in) Non-Capital</u>						
<u>Financing Activities</u>	27	989	39,524	(103,628)	(63,088)	(87,546)
<u>Cash Flows from Capital and</u>						
<u>Related Financing Activities</u>						
Purchase of Property and Equipment	(60,637)	(57,665)	-	(2,945)	(121,247)	(78,386)
Principal Paid on Bonds Payable	(52,000)	(109,356)	(22,000)	-	(183,356)	(80,089)
Bond Proceeds	30,472	-	-	-	30,472	9,721
Grant Proceeds	30,165	51,383	5,824	-	87,372	9,020
Property Taxes Proceeds	-	8,092	16,213	-	24,305	8,326
Special Assessment Proceeds	20,443	12,534	-	-	32,977	29,677
Interest and Fees Paid on Bonds	(19,770)	(7,247)	(3,113)	-	(30,130)	(31,886)
<u>Net Cash Provided by (Used in) Capital</u>						
<u>and Related Financing Activities</u>	(51,327)	(102,259)	(3,076)	(2,945)	(159,607)	(133,617)
<u>Cash Flows from Investing Activities</u>						
Interest Income	8,146	4,720	-	4,666	17,532	3,476
Rental Income	-	-	-	9,879	9,879	9,964
<u>Net Cash Provided by (Used in)</u>						
<u>Investing Activities</u>	8,146	4,720	-	14,545	27,411	13,440
<u>Net Increase (Decrease) in</u>						
<u>Cash and Cash Equivalents</u>	16,871	(95,981)	-	41,590	(37,520)	43,963
<u>Cash and Cash Equivalents,</u>						
<u>Beginning of Year</u>	284,746	287,567	-	194,963	767,276	720,813
<u>Cash and Cash Equivalents, End of Year</u>						
	\$ 301,617	\$ 191,586	\$ -	\$ 236,553	\$ 729,756	\$ 764,776

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts For Year Ended December 31, 2018

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>Municipal</u>	<u>2019</u>	<u>2018</u>
	<u>Water</u>	<u>Sewage</u>	<u>Golf</u>	<u>Liquor</u>		
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
<u>Operating Income (Loss)</u>	\$ 6,670	\$ 6,139	\$ (67,717)	\$ 111,013	\$ 56,105	\$ 29,578
<u>Adjustments to Reconcile Operating</u>						
<u>Income (Loss) to Net Cash Provided by</u>						
<u>(Used in) Operating Activities</u>						
Depreciation and Amortization	70,006	14,374	21,226	15,727	121,333	186,181
Changes in Assets, Liabilities and Deferrals						
(Increase) Decrease in:						
Accounts Receivable	(5,352)	(4,458)	213	(4,667)	(14,264)	8,247
Property Taxes Receivable	-	-	(264)	-	(264)	-
Due from Other Governments	(223)	(369)	(404)	-	(996)	64
Inventory	-	-	-	(4,789)	(4,789)	(3,779)
Prepaid Expenses	-	-	541	-	541	-
Deferred Outflows of Resources	6,781	7,228	233	15,137	29,379	3,902
Increase (Decrease) in:						
Accounts Payable	(7,975)	(12,879)	(1,114)	3,297	(18,671)	23,230
Sales Tax Payable	(98)	-	-	192	94	82
Accrued Salaries and Wages Payable	-	914	-	2,013	2,927	-
Accrued Compensated Absences	(762)	(1,006)	-	3,958	2,190	2,914
Deferred Inflows of Resources	(341)	(295)	3,145	2,601	5,110	2,367
Net Pension Liability	(8,681)	(9,079)	7,693	(10,864)	(20,931)	(1,100)
<u>Net Cash Provided by (Used in)</u>						
<u>Operating Activities</u>	<u>\$ 60,025</u>	<u>\$ 569</u>	<u>\$ (36,448)</u>	<u>\$ 133,618</u>	<u>\$ 157,764</u>	<u>\$ 251,686</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

ASSETS

Cash and Cash Equivalents

\$ 5,093

NET POSITION

Restricted for Other Organizations

\$ 5,093

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
CUSTODIAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019

ADDITIONS

Contributions	\$ 15
<u>Net Position, Beginning of Year (as restated)</u>	<u>5,078</u>
<u>Net Position, End of Year</u>	<u>\$ 5,093</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

3.) Joint Ventures

a.) Pine Tree Park

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

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

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

4.) Government-wide and Fund Financial Statements

a.) Government-wide Financial Statements

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

C. Fund Types and Major Funds

1.) Governmental Funds

The City reports the following major funds:

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

Revolving Loan Fund – The Revolving Loan Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally and internally restricted to expenditures for this specified purpose.

2.) Proprietary Funds

The City reports the following major funds:

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

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

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

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

3.) Custodial Fund:

The City reports the following custodial fund:

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

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 recorded at lower of cost or market, which approximates market on a first-in, first-out basis. 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.

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

4.) **Capitalization of Interest**

The City capitalizes net interest costs on funds borrowed to finance the construction of proprietary fund capital assets. For the year ended December 31, 2019, no interest was capitalized in connection with construction in progress of Proprietary Fund capital assets.

5.) **Long-term Obligations**

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

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

6.) **Pensions**

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7.) Deferred Outflows/Inflows of Resources

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

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

The first and second item, unavailable revenue from property taxes and special assessments, 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:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 15,472	\$ 4,547	\$ 20,019
Special Assessments	-	89,396	89,396
Total	<u>\$ 15,472</u>	<u>\$ 93,943</u>	<u>\$ 109,415</u>

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

8.) Fund Balance

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

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

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

The City adopted a formal fund balance policy that strives to maintain an unassigned fund balance equal to or greater than 35% of the General Fund operating revenues. Should the unassigned fund balance fall below the 35% threshold, the City will strive toward regaining the minimum threshold during the next budget process. At the end of 2019 the City's fund balance was 55%, which is in compliance with their fund balance policy.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

As of December 31, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenses	\$ 12,632	\$ -	\$ 1,252	\$ 13,884
Restricted:				
Pine Tree Park	-	-	53,999	53,999
Tax Increment Financing Districts	-	-	99,116	99,116
Notes Receivable	-	228,627	-	228,627
Debt Service	-	-	135,030	135,030
Road Maintenance	-	-	4,966	4,966
Fire Department Special Equipment	-	-	227,438	227,438
Committed:				
Cemetery Perpetual Care Fund	-	-	61,171	61,171
Debt Service	-	-	16,389	16,389
Assigned:				
Cemetery Fund	-	-	748	748
Sewer Maintenance Sinking Fund	-	-	69,214	69,214
Sewer Replacement	-	-	8,681	8,681
Fire Hall Maintenance	-	-	226,829	226,829
Water Maintenance Sinking Fund	-	-	121,156	121,156
Public Works Reserve	-	-	12,431	12,431
Notes Receivable	-	227,016	-	227,016
Unassigned:	320,806	-	-	320,806
Total	<u>\$ 333,438</u>	<u>\$ 455,643</u>	<u>\$ 1,038,420</u>	<u>\$ 1,827,501</u>

9.) Use of Estimates

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

10.) Change in Accounting Principle

During the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. It establishes the criteria for identifying fiduciary activities and the presentation in the fiduciary fund financial statements. This resulted in beginning net position being restated in the amount of \$5,078. This was previously reported as a liability, "Due to Other Organization."

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019.

B. Investments

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 no invested funds at December 31, 2019. All funds are held in business checking accounts and money market accounts at local banks.

C. Accounts Receivable

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

D. Special Assessment Receivables

Special assessment receivables include the following components:

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

Delinquent – includes amounts billed to property owners but not paid as of December 31, 2019.

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

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

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

E. Notes Receivable

Notes receivable in the Revolving Loan fund used for business economic development at December 31, 2019 are as follows:

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note Dated	Authorized/ Original Amount	Maturity Date	Interest Rate	Balance
Special Revenue Fund:				
7/16/2007	\$ 150,000	9/1/2022	2.00%	\$ 48,912
3/31/2009	25,000	1/1/2021	3.25%	6,767
12/7/2011	171,492	2/1/2022	0.00%	24,917
5/29/2013	28,600	6/15/2023	2.50%	10,842
12/31/2015	54,837	1/1/2029	0.00%	51,484
5/18/2016	40,000	6/1/2023	0.00%	24,724
8/1/2019	5,500	8/1/2029	0.00%	508
8/1/2019	15,000	8/1/2029	5.50%	14,625
9/1/2019	32,000	11/1/2029	5.50%	32,000
8/1/2019	100,000	8/1/2029	5.50%	99,106
Total	\$ 622,429			\$ 313,885

F. Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	Capital Assets			
	Balance 1/1/19	Additions	Disposals	Balance 12/31/19
<u>Governmental Funds</u>				
Land and Buildings	\$ 751,114	\$ -	\$ -	\$ 751,114
Furniture, Fixtures and Equipment	824,147	60,207	-	884,354
Other Improvements	1,218,438	-	-	1,218,438
Total Governmental Funds	2,793,699	60,207	-	2,853,906
<u>Proprietary Funds</u>				
<u>Municipal Water</u>				
Other Improvements	1,558,145	648,241	-	2,206,386
Construction in Progress	587,604	-	587,604	-
Total Water Fund	2,145,749	648,241	587,604	2,206,386
<u>Municipal Sewage Disposal</u>				
Land and Buildings	2,289,673	-	-	2,289,673
Furniture, Fixtures and Equipment	15,604	6,500	3,660	18,444
Other Improvements	141,751	595,290	-	737,041
Construction in Progress	544,125	-	544,125	-
Total Sewage Disposal Fund	2,991,153	601,790	547,785	3,045,158
<u>Municipal Golf Course</u>				
Land and Buildings	208,712	-	-	208,712
Furniture, Fixtures and Equipment	363,705	-	-	363,705
Total Golf Course Fund	572,417	-	-	572,417
<u>Municipal Liquor Store</u>				
Land and Buildings	355,843	-	-	355,843
Furniture, Fixtures and Equipment	65,384	2,945	5,948	62,381
Other Improvements	67,952	-	13,318	54,634
Total Liquor Store Fund	489,179	2,945	19,266	472,858
<u>Total Proprietary Funds</u>				
Land and Buildings	2,854,228	-	-	2,854,228
Furniture, Fixtures and Equipment	444,693	9,445	9,608	444,530
Other Improvements	1,767,848	1,243,531	13,318	2,998,061
Construction in Progress	1,131,729	-	1,131,729	-
Total Proprietary Funds	6,198,498	1,252,976	1,154,655	6,296,819
Total All Funds	\$ 8,992,197	\$ 1,313,183	\$ 1,154,655	\$ 9,150,725

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

	Accumulated Depreciation			
	Balance 1/1/2019	Provisions	Disposals	
<u>Governmental Funds</u>				
Buildings	\$ 246,285	\$ 8,646	\$ -	\$ 254,931
Furniture, Fixtures and Equipment	716,677	33,472	-	750,149
Other Improvements	515,768	48,074	-	563,842
Total Governmental Funds	<u>1,478,730</u>	<u>90,192</u>	<u>-</u>	<u>1,568,922</u>
<u>Proprietary Funds</u>				
<u>Municipal Water</u>				
Other Improvements	758,700	69,517	-	828,217
<u>Municipal Sewage Disposal</u>				
Land and Buildings	2,236,428	8,188	-	2,244,616
Furniture, Fixtures and Equipment	9,538	1,950	3,660	7,828
Other Improvements	31,751	4,236	-	35,987
Total Sewage Disposal Fund	<u>2,277,717</u>	<u>14,374</u>	<u>3,660</u>	<u>2,288,431</u>
<u>Municipal Golf Course</u>				
Land and Buildings	70,950	647	-	71,597
Furniture, Fixtures and Equipment	308,398	20,525	-	328,923
Total Golf Course Fund	<u>379,348</u>	<u>21,172</u>	<u>-</u>	<u>400,520</u>
<u>Municipal Liquor Store</u>				
Land and Buildings	247,210	9,424	-	256,634
Furniture, Fixtures and Equipment	56,775	3,233	5,948	54,060
Other Improvements	22,666	3,070	13,318	12,418
Total Liquor Store Fund	<u>326,651</u>	<u>15,727</u>	<u>19,266</u>	<u>323,112</u>
<u>Total Proprietary Funds</u>				
Land and Buildings	2,554,588	18,259	-	2,572,847
Furniture, Fixtures and Equipment	374,711	25,708	9,608	390,811
Other Improvements	813,117	76,823	13,318	876,622
Total Proprietary Funds	<u>3,742,416</u>	<u>120,790</u>	<u>22,926</u>	<u>3,840,280</u>
Total All Funds	<u>\$ 5,221,146</u>	<u>\$ 210,982</u>	<u>\$ 22,926</u>	<u>\$ 5,409,202</u>
<u>Capital Assets, Net of Depreciation</u>				
Governmental Funds	\$ 1,314,969	\$ (29,985)	\$ -	\$ 1,284,984
Proprietary Funds	2,456,082	1,132,186	1,131,729	2,456,539
Total Capital Assets, Net of Depreciation	<u>\$ 3,771,051</u>	<u>\$ 1,102,201</u>	<u>\$ 1,131,729</u>	<u>\$ 3,741,523</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

G. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2019:

	Balance 1/1/19	Issues	Payments	Balance 12/31/19
General Long-Term Debt:				
General Obligation Special Assessment Bonds:				
G.O. Refunding Bonds, Series 2009A	\$ 75,000	\$ -	\$ 15,000	\$ 60,000
G.O. Bonds, Series 2006A	145,000	-	35,000	110,000
Note Payable:				
Industrial Lane Internal Note*	34,882	-	9,967	24,915
Frontage Road Improvements Note*	53,855	-	2,371	51,484
Total General Long-Term Debt	<u>308,737</u>	<u>-</u>	<u>62,338</u>	<u>246,399</u>
Less: Unamortized Bond Discount	4,719	-	973	3,746
Total Net General Long-Term Debt	<u>304,018</u>	<u>-</u>	<u>61,365</u>	<u>242,653</u>
Capital Lease Payable (See Note 2, Section "H."):				
GM Financial	23,135	-	7,335	15,800
Other Long-Term Liabilities:				
Compensated Absences	12,671	2,898	2,451	13,118
Total Governmental Activities	<u>\$ 339,824</u>	<u>\$ 2,898</u>	<u>\$ 71,151</u>	<u>\$ 271,571</u>
Proprietary Fund Debt:				
General Obligation Revenue Bonds:				
2012A Equipment Bond	\$ 18,000	\$ -	\$ 3,000	\$ 15,000
2012A Club House Refunded Bond	42,000	-	7,000	35,000
G.O. Refunding Bonds, Series 2012A	870,000	-	45,000	825,000
General Obligation Bond:				
2016 G.O. Equipment Certificate	93,000	-	12,000	81,000
General Obligation Special Assessment Bonds:				
G.O. Disposal System Bonds, Series 2014A	74,000	-	10,000	64,000
Note Payable:				
2017 G.O. Disposal System Note	171,000	-	99,356	71,644
2016 G.O. Water Revenue Note	144,691	30,472	7,000	168,163
Total Proprietary Fund Debt	<u>1,412,691</u>	<u>30,472</u>	<u>183,356</u>	<u>1,259,807</u>
Less: Unamortized Bond Discount	8,145	-	543	7,602
Total Net Proprietary Long-Term Debt	<u>1,404,546</u>	<u>30,472</u>	<u>182,813</u>	<u>1,252,205</u>
Other Long-Term Liabilities:				
Compensated Absences	11,546	4,056	1,866	13,736
Total Proprietary Activities	<u>\$ 1,416,092</u>	<u>\$ 34,528</u>	<u>\$ 184,679</u>	<u>\$ 1,265,941</u>

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

CITY OF BLACKDUCK, MINNESOTA
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City indebtedness at December 31, 2019 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Amount Authorized and Issued	Balance 12/31/2019	Amounts Due in 2019	
						Principal	Interest
General Obligation Issues:							
2016 G.O. Equipment Certificate	2.50	9/15/2016	2/1/2025	\$ 93,000	\$ 81,000	\$ 13,000	\$ 1,863
Special Assessment Bonds with Governmental Commitment:							
G.O. Bonds, Series 2006A	4.100-4.650	8/17/2006	2/1/2022	\$ 495,000	\$ 110,000	\$ 35,000	\$ 4,301
G.O. Refunding Bonds, Series 2009A	3.000-4.250	12/28/2009	1/1/2024	445,000	60,000	15,000	2,426
G.O. Disposal System Bonds, Series 2014A	3.00	10/20/2014	2/1/2025	105,000	64,000	10,000	1,770
Less: Unamortized Discount				-	3,746	-	-
Total Net Special Assessment Bonds				\$ 1,045,000	\$ 230,254	\$ 60,000	\$ 8,497
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 825,000	\$ 45,000	\$ 17,793
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	15,000	3,000	244
2012A Club House Refunded	.750-2.550	12/27/2012	2/1/2035	65,000	35,000	7,000	569
Less: Unamortized Discount				-	7,602	-	-
Total G. O. Revenue Bonds				\$ 1,165,000	\$ 867,398	\$ 55,000	\$ 18,606
Notes Payable:							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 71,644	\$ 16,000	\$ 1,877
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2041	148,293	168,163	7,000	1,076
Industrial Lane Internal Note	-	12/7/2011	2/1/2022	171,492	24,915	9,967	-
Frontage Road Improvements Note	-	12/31/2015	1/1/2029	54,837	51,484	4,850	1,538
Total Notes Payable				\$ 554,622	\$ 316,206	\$ 37,817	\$ 4,491
Capital Lease Payable:							
GM Financial	10.00	3/23/2017	3/23/2021	\$ 38,620	\$ 15,800	\$ 7,705	\$ 795

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

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

The annual requirements to amortize long-term debt outstanding at December 31, 2019, including interest are as follows:

Year Ending December 31,	G.O. Bonds		Special Assessment Bonds		G.O. Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 13,000	\$ 1,863	\$ 60,000	\$ 8,497	\$ 55,000	\$ 18,606	\$ 37,817	\$ 4,491
2021	13,000	1,538	60,000	6,000	55,000	17,767	37,963	3,704
2022	13,000	1,213	65,000	3,356	55,000	16,778	34,131	2,977
2023	14,000	875	26,000	1,493	55,000	15,788	29,303	9,273
2024	14,000	525	11,000	525	55,000	14,641	18,108	2,416
2025-2029	14,000	175	12,000	180	255,000	57,169	65,722	7,918
2030-2034	-	-	-	-	285,000	25,830	40,000	3,870
2035-2039	-	-	-	-	60,000	765	41,000	1,864
2040-2041	-	-	-	-	-	-	12,162	154
Totals	\$ 81,000	\$ 6,189	\$ 234,000	\$ 20,051	\$ 875,000	\$ 167,344	\$ 316,206	\$ 36,667

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

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

The future scheduled tax levies and pledged revenues are not shown as assets in the accompanying financial statements at December 31, 2019. Future tax levies for all bonds outstanding at December 31, 2019 totaled \$140,337. The amount bonds and capital lease outstanding with interest are to be paid with pledged revenues totaling \$986,878. The remaining amounts are to be paid with special assessments.

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City's legal debt margin for 2019 is computed as follows:

Market Value	\$29,755,300
Debt Limit Percentage	<u>3%</u>
Debt Limit	<u>\$ 892,659</u>

Amount of debt applicable to debt limit:

Total Bonded Debt	<u>\$1,429,807</u>
Less Exempt Bonded Debt:	
Special Assessment Bonds	234,000
Revenue Bonds	<u>1,043,163</u>
Total Exempt Bonded Debt	<u>\$1,277,163</u>
Total Debt Applicable to Debt Limit	<u>152,644</u>
Legal Debt Margin	<u>\$ 740,015</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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H. Capital Lease

A summary of changes in the capital lease is as follows:

<u>Description</u>	<u>Beginning</u>	<u>Additions</u>	<u>Payments and</u>	<u>Ending</u>	<u>Current Amounts</u>	
	<u>Balance</u>		<u>Retirements</u>	<u>Balance</u>	<u>Principal</u>	<u>Interest</u>
GM Financial	\$ 23,135	\$ -	\$ 7,335	\$ 15,800	\$ 7,705	\$ 795

The City's capital lease asset totals \$40,120 with accumulated depreciation of \$22,066.

The payments on the capital lease are accounted for in the General Fund. The annual requirements to amortize the capital lease at December 31, 2019 are as follows:

<u>Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	7,705	795	8,500
2021	8,095	405	8,500
Total	\$ 15,800	\$ 1,200	\$ 17,000

I. Compensated Absences

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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.

CITY OF BLACKDUCK, MINNESOTA
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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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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E. Depreciation

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

Governmental Activities:	
General Government	\$ 5,970
Public Safety	23,887
Streets and Highways	28,450
Culture and Recreation	6,695
Economic Development	25,190
Total Governmental Activities Depreciation Expense	<u>\$ 90,192</u>
Business-Type Activities:	
Municipal Sewage Disposal	\$ 14,374
Municipal Water	69,517
Municipal Golf Course	21,172
Municipal Liquor Store	15,727
Total Business-Type Activities Depreciation Expense	<u>\$ 120,790</u>

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.

CITY OF BLACKDUCK, MINNESOTA
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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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 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, 2019 were \$32,629. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$18,207. The City's contributions were equal to the required contributions as set by State Statute.

CITY OF BLACKDUCK, MINNESOTA
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D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$309,611 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$9,666. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was .0056% which was a decrease of .0007% from its proportion measured as of June 30, 2018.

City's proportionate share of net pension liability	\$309,611
State of Minnesota's proportionate share of net pension liability associated with the City	<u>9,666</u>
Total	<u>\$319,277</u>

For the year ended December 31, 2019 the City recognized pension expense of \$41,288 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$724 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.

CITY OF BLACKDUCK, MINNESOTA
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At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,542	\$ -
Changes in actuarial assumptions	-	25,040
Difference between projected and actual investment earnings	-	36,384
Changes in proportion	25,536	37,243
Contributions paid to PERA subsequent to the measurement date	<u>17,799</u>	<u>-</u>
Total	<u>\$ 51,877</u>	<u>\$ 98,667</u>

The \$17,799 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (22,531)
2021	(23,844)
2022	(17,715)
2023	(499)

CITY OF BLACKDUCK, MINNESOTA
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Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$106,460 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the City's proportion was .0100% which was an increase of .0011% from its proportion measured as of June 30, 2018. The City also recognized \$1,350 for the year ended December 31, 2019 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$19,796 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,802	\$ 14,583
Changes in actuarial assumptions	79,511	84,704
Difference between projected and actual investment earnings	-	15,394
Changes in proportion	28,673	40,132
Contributions paid to PERA subsequent to the measurement date	9,009	-
Total	<u>\$ 120,995</u>	<u>\$ 154,813</u>

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The \$9,009 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	(2,135)
2021		(11,057)
2022		(37,681)
2023		6,181
2024		1,865

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

CITY OF BLACKDUCK, MINNESOTA
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The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all PERA 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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability:	\$ 508,985	\$ 309,611	\$ 144,989
	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the Police and Fire Fund net pension liability:	\$ 232,702	\$ 106,460	\$ 2

H. Pension Plan Fiduciary Net Position

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

Single Employer Plan – Blackduck Fire Relief Association

A. Plan Description

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

B. Benefits Provided

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

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

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

C. Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

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

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$19,808 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	6.25%
Inflation	2.50%
Expected Return on Plan Assets	6.25%
Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 67/68
Mortality	<p>Healthy pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, for a base year of 2006.</p> <p>Healthy post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p> <p>Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017 from a base year of 2006. Male rates are adjusted by a factor of 0.96.</p>

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of
Domestic Equity	52.00%	4.76%	7.26%
International Equity	15.00%	5.41%	7.91%
Fixed Income	0.00%	2.01%	4.51%
Real estate and alternatives	9.00%	4.53%	7.03%
Cash and Equivalents	24.00%	0.74%	3.24%
Total	<u>100.00%</u>		<u>6.73%</u>
Reduced for assumed investment expense			<u>-0.50%</u>
Net Assumed Investment Return			<u>6.25%</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

F. Discount Rate

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

G. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2018	\$ 195,343	\$ 340,961	\$ (145,618)
Changes for the year:			
Service Cost	9,167	-	9,167
Interest	12,596	-	12,596
Contributions - State and Local	-	19,446	(19,446)
Benefit Payments	(5,940)	(5,940)	-
Net Investment Income	-	(10,829)	10,829
Administrative Expense	-	(599)	599
Net Changes	<u>15,823</u>	<u>2,078</u>	<u>13,745</u>
Balance at December 31, 2019	<u>\$ 211,166</u>	<u>\$ 343,039</u>	<u>\$ (131,873)</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 6.25%, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability (Asset)	\$ (125,932)	\$ (131,873)	\$ (137,600)

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, 2019

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

For the year ended December 31, 2019, The City recognized pension expense of \$527. At December 31, 2019, 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	\$ 5,341	\$ -
Contributions to the plan subsequent to the measurement date	<u>19,808</u>	<u>-</u>
Total	<u>\$ 25,149</u>	<u>\$ -</u>

\$19,808 reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending:</u>	
2019	\$ (350)
2020	(350)
2021	(351)
2022	6,392

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	\$ 309,611	\$ 106,460	\$ -	\$ 416,071
Net Pension Asset	-	-	131,873	131,873
Deferred Outflows of Resources	51,877	120,995	25,149	198,021
Deferred Inflows of Resources	98,667	154,813	-	253,480
Pension Expense	42,012	19,796	527	62,335

Note 5 – Interfund Balances and Transfers

As of December 31, 2019, the City had an interfund balance of \$110,878 due to the Municipal Liquor Store Fund from the Municipal Golf Course Fund. The purpose of the balance is to eliminate the cash deficit in the Municipal Golf Course Fund. The Council has approved a long-term plan for repayment.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

The City of Blackduck, Minnesota made the following transfers between funds during 2019 as follows:

		Transfer Out			Total
		General Fund	Revolving Loan Fund	Municipal Liquor Store Fund	
Transfer In	Operating Transfers				
	General Fund	\$ -	\$ 4,000	\$ 65,000	\$ 69,000
	Nonmajor Governmental Funds	32,000	-	-	32,000
	Municipal Golf Course Fund	-	-	10,000	10,000
	Total Transfers	\$ 32,000	\$ 4,000	\$ 75,000	\$ 111,000

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

Note 6 – Risk Management

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

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

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 – Stewardship, Compliance and Accountability

Deficit Net Position

A net position deficit exists in the Municipal Golf Course Fund in the amount of \$93,764. The deficit will be eliminated by subsequent revenues and/or expenses constraints in the future.

Note 8 – Stewardship, Compliance and Accountability

Expenditures in Excess of Budget

Actual expenditures exceeded budget for the year ended December 31, 2019 in the following fund:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 673,427	\$ 598,367	\$ 75,060

Note 9 – Commitments and Contingencies

The City entered into a capital lease for a sign for the Liquor Store on November 12, 2019. The amount totals \$64,867 with payments beginning January 2020 with subsequent lease payments due semi-annually through July 2024. The sign won't be installed until the spring of 2020.

Note 10 – Subsequent Event

Recent issues with COVID-19 have forced the City to stagger and reduce its work force in several entities in the City, including the Municipal Liquor Store, whose on-sale is closed by Executive Order 20-04. This has resulted in a severe decline in revenues. Public Works is social distancing its workforce to avoid the department from potentially spreading the virus. City Council has declared a Local Emergency, allowing the Board to social distance its members and to hold electronic meetings. The City has provided a 3-month deferral of utility bills for qualifying customers that apply; and a 6-month deferral of its borrowers from the Revolving Loan Fund. Many spring projects are on hold.

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, 2019
With Comparative Amounts For Year Ended December 31, 2018

	2019		Variance- Positive (Negative)	2018 Actual
	Original and Final Budget	Actual		
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 181,173	\$ 182,098	\$ 925	\$ 171,534
Special Assessments	100	2	(98)	3
Total Taxes and Special Assessments	<u>181,273</u>	<u>182,100</u>	<u>827</u>	<u>171,537</u>
<u>Licenses and Permits</u>	<u>5,200</u>	<u>3,785</u>	<u>(1,415)</u>	<u>10,133</u>
<u>Intergovernmental Revenues</u>				
<u>State</u>				
Local Government Aids	254,282	254,282	-	253,712
Small Cities Assistance	-	-	-	9,238
Market Value Credit	-	47	47	46
PERA Aid	1,113	1,113	-	1,113
Police Aids	15,500	18,370	2,870	14,402
Fire Aid	19,000	19,446	446	-
Other State Aid	-	1,319	1,319	-
Total Intergovernmental Revenues	<u>289,895</u>	<u>294,577</u>	<u>4,682</u>	<u>278,511</u>
<u>Charges for Services</u>				
Rural Fire Contracts	78,979	78,978	(1)	79,619
Other	8,000	8,445	445	8,121
Total Charges for Services	<u>86,979</u>	<u>87,423</u>	<u>444</u>	<u>87,740</u>
<u>Fines and Fees</u>	<u>5,000</u>	<u>592</u>	<u>(4,408)</u>	<u>1,370</u>
<u>Interest Income</u>	<u>700</u>	<u>3,296</u>	<u>2,596</u>	<u>3,067</u>
<u>Other</u>				
Reimbursements	250	12,873	12,623	10,548
Donations	2,000	-	(2,000)	125
Other	4,070	212	(3,858)	4,035
Total Other	<u>6,320</u>	<u>13,085</u>	<u>6,765</u>	<u>14,708</u>
<u>Total Revenues</u>	<u>575,367</u>	<u>584,858</u>	<u>9,491</u>	<u>567,066</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, 2019

With Comparative Amounts For Year Ended December 31, 2018

	<u>2019</u>			<u>2018</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Expenditures</u>				
<u>General Government</u>				
<u>Mayor and Council</u>				
Personal Services	7,150	6,994	156	5,643
Materials and Supplies	1,600	3,008	(1,408)	2,445
Other Expenditures	100	166	(66)	30
Total Mayor and Council	<u>8,850</u>	<u>10,168</u>	<u>(1,318)</u>	<u>8,118</u>
<u>Administration</u>				
Personal Services	84,352	87,338	(2,986)	83,408
Materials and Supplies	3,600	6,548	(2,948)	6,144
Purchased Services	19,800	19,830	(30)	15,261
Other Expenditures	5,000	8,630	(3,630)	9,553
Debt Service - Principal	2,100	-	2,100	-
Total Administration	<u>114,852</u>	<u>122,346</u>	<u>(7,494)</u>	<u>114,366</u>
<u>Planning/Zoning</u>				
Purchased Services	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>9,787</u>
<u>Government Buildings</u>				
Materials and Supplies	900	7	893	193
Repairs and Maintenance	2,000	1,150	850	698
Purchased Services	9,150	12,003	(2,853)	8,995
Total Government Buildings	<u>12,050</u>	<u>13,160</u>	<u>(1,110)</u>	<u>9,886</u>
Total General Government	<u>136,752</u>	<u>146,674</u>	<u>(9,922)</u>	<u>142,157</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, 2019

With Comparative Amounts For Year Ended December 31, 2018

	2019			2018 Actual
	Original and Final Budget	Actual	Variance- Positive (Negative)	
<u>Public Safety</u>				
<u>Law Enforcement</u>				
Personal Services	148,678	149,396	(718)	137,002
Materials and Supplies	15,550	13,234	2,316	14,028
Repairs and Maintenance	6,000	2,740	3,260	6,859
Purchased Services	16,750	17,040	(290)	15,484
Other Expenditures	4,500	1,581	2,919	4,280
Capital Outlay	-	52,677	(52,677)	353
Total Law Enforcement	191,478	236,668	(45,190)	178,006
<u>Fire</u>				
Personal Services	14,700	12,640	2,060	12,428
Materials and Supplies	13,550	23,359	(9,809)	11,752
Repair and Maintenance	16,750	21,713	(4,963)	13,297
Purchased Services	18,100	15,690	2,410	16,067
Other Expenditures	21,300	20,346	954	50
Capital Outlay	1,000	-	1,000	3,800
Total Fire	85,400	93,748	(8,348)	57,394
Total Public Safety	276,878	330,416	(53,538)	235,400
<u>Streets and Highways</u>				
<u>Street Maintenance</u>				
Personal Services	64,098	65,536	(1,438)	63,022
Materials and Supplies	31,875	22,075	9,800	20,980
Repair and Maintenance	6,250	6,529	(279)	6,347
Purchased Services	13,500	23,766	(10,266)	14,695
Other Expenditures	60	640	(580)	170
Capital Outlay	9,800	1,530	8,270	1,559
Debt Service - Principal	-	6,985	(6,985)	6,985
Debt Service - Interest and Fiscal Fees	-	1,515	(1,515)	1,515
Total Street Maintenance	125,583	128,576	(2,993)	115,273

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, 2019

With Comparative Amounts For Year Ended December 31, 2018

	<u>2019</u>			<u>2018</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Street Lighting</u>				
Materials and Supplies	3,500	6,103	(2,603)	4,732
Repairs and Maintenance	1,000	3,820	(2,820)	1,182
Purchased Services	13,000	7,817	5,183	10,161
Total Street Lighting	<u>17,500</u>	<u>17,740</u>	<u>(240)</u>	<u>16,075</u>
Total Streets and Highways	<u>143,083</u>	<u>146,316</u>	<u>(3,233)</u>	<u>131,348</u>
<u>Culture and Recreation</u>				
<u>Parks and Recreation</u>				
Personal Services	6,120	10,982	(4,862)	9,344
Materials and Supplies	3,575	2,432	1,143	1,621
Repairs and Maintenance	1,500	476	1,024	598
Purchased Services	8,600	7,852	748	7,036
Capital Outlay	-	2,267	(2,267)	-
Total Parks and Recreation	<u>19,795</u>	<u>24,009</u>	<u>(4,214)</u>	<u>18,599</u>
<u>Library</u>				
Materials and Supplies	500	286	214	197
Repairs and Maintenance	789	1,092	(303)	865
Purchased Services	20,570	20,634	(64)	20,804
Capital Outlay	-	4,000	(4,000)	-
Total Library	<u>21,859</u>	<u>26,012</u>	<u>(4,153)</u>	<u>21,866</u>
Total Culture and Recreation	<u>41,654</u>	<u>50,021</u>	<u>(8,367)</u>	<u>40,465</u>
<u>Total Expenditures</u>	<u>598,367</u>	<u>673,427</u>	<u>(75,060)</u>	<u>549,370</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(23,000)</u>	<u>(88,569)</u>	<u>(65,569)</u>	<u>17,696</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, 2019

With Comparative Amounts For Year Ended December 31, 2018

	<u>2019</u>			<u>2018</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	-	-	-	3,575
Operating Transfer In	65,000	69,000	4,000	65,000
Operating Transfer (Out)	(32,000)	(32,000)	-	(32,000)
<u>Total Other Financing Sources (Uses)</u>	<u>33,000</u>	<u>37,000</u>	<u>4,000</u>	<u>36,575</u>
<u>Net Change in Fund Balance</u>	10,000	(51,569)	(61,569)	54,271
<u>Fund Balances, Beginning of Year</u>	<u>385,007</u>	<u>385,007</u>	-	<u>330,736</u>
<u>Fund Balances, End of Year</u>	<u>\$ 395,007</u>	<u>\$ 333,438</u>	<u>\$ (61,569)</u>	<u>\$ 385,007</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, 2019

Last 10 Fiscal Years*

Measurement Year Ended June 30:	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Plan:							
2019	0.0056%	\$ 309,611	\$ 9,666	\$ 319,277	\$ 392,597	78.86%	79.5%
2018	0.0063%	349,498	11,629	361,127	391,852	89.19%	79.5%
2017	0.0055%	351,116	4,440	355,556	358,707	97.88%	75.9%
2016	0.0059%	479,051	6,281	485,332	339,358	141.16%	68.9%
2015	0.0056%	290,221	-	290,221	331,834	87.46%	78.2%
Police and Fire Plan:							
2019	0.0100%	106,460	-	106,460	105,353	101.05%	88.8%
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, 2019

Last 10 Fiscal Years*

For the Year Ended December 31:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<u>General Employees Plan:</u>					
2019	\$ 32,576	\$ 32,576	\$ -	\$ 424,634	7.67%
2018	29,979	29,979	-	400,281	7.49%
2017	27,750	27,750	-	369,998	7.50%
2016	26,862	26,862	-	357,400	7.52%
2015	25,927	25,927	-	345,842	7.50%
<u>Police and Fire Plan:</u>					
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, 2019

Last 10 Fiscal Years*

<u>For the Year Ended December 31:</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability (Asset):		
Service Cost	\$ 9,167	\$ 8,943
Interest Cost	12,596	11,491
Benefit Payments	(5,940)	-
Net Change in Total Pension Liability (Asset)	15,823	20,434
Total Pension Liability - beginning	195,343	174,909
Total Pension Liability - ending (a)	\$ 211,166	\$ 195,343
Plan Fiduciary Net Position:		
Contribution - State and Local	\$ 19,446	\$ 19,084
Contribution - Donations and Other Income	-	5,000
Net Investment Income	(10,829)	50,603
Administrative Expenses	(599)	(2,399)
Benefit Payments	(5,940)	-
Net Change in Plan Fiduciary Net Position	2,078	72,288
Plan Fiduciary Net Position - beginning	340,961	268,673
Plan Fiduciary Net Position - ending (b)	\$ 343,039	\$ 340,961
Net Pension Liability (Asset) - ending (a) - (b)	\$ (131,873)	\$ (145,618)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	162.45%	174.54%
Covered Payroll	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	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, 2019

Last 10 Fiscal Years*

<u>For the Year Ended December 31:</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Non-Employer State Aid</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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, 2019

Last 10 Fiscal Years*

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

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

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

8.) The City Council may authorize transfer of budgeted amounts between City funds.

Note 2 – Pensions

General Employees Fund

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

2016 Changes:

Changes in Actuarial Assumptions:

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

2015 Changes:

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

Police and Fire Fund

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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 assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes:

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

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

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 225,293	\$ 670,715	\$ 149,803	\$ 1,045,811
Due from Other Governments	-	-	1,616	1,616
Delinquent Property Taxes Receivable	-	-	4,547	4,547
Special Assessments Receivable	-	-	89,396	89,396
Prepaid Expenses	1,252	-	-	1,252
<u>Total Assets</u>	<u>\$ 226,545</u>	<u>\$ 670,715</u>	<u>\$ 245,362</u>	<u>\$ 1,142,622</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 105	\$ -	\$ -	\$ 105
Accrued Salaries and Wages Payable	154	-	-	154
Unearned Revenues	10,000	-	-	10,000
Total Liabilities	<u>10,259</u>	<u>-</u>	<u>-</u>	<u>10,259</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	-	-	93,943	93,943
<u>Fund Balances</u>				
Nonspendable	1,252	-	-	1,252
Restricted	153,115	232,404	135,030	520,549
Committed	61,171	-	16,389	77,560
Assigned	748	438,311	-	439,059
Total Fund Balances	<u>216,286</u>	<u>670,715</u>	<u>151,419</u>	<u>1,038,420</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 226,545</u>	<u>\$ 670,715</u>	<u>\$ 245,362</u>	<u>\$ 1,142,622</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>				
General Property Taxes	\$ -	\$ -	\$ 49,324	\$ 49,324
Special Assessments	-	-	29,045	29,045
Tax Increments	32,505	-	-	32,505
Charges for Services	19,479	-	-	19,479
Intergovernmental Revenues	11,000	-	-	11,000
Interest Income	1,306	6,193	964	8,463
Donations and Grants	-	27,000	-	27,000
Other	1,855	-	-	1,855
<u>Total Revenues</u>	<u>66,145</u>	<u>33,193</u>	<u>79,333</u>	<u>178,671</u>
<u>Expenditures</u>				
Current:				
Culture and Recreation	20,472	-	-	20,472
Cemetery	5,944	-	-	5,944
Capital Outlay	75	-	-	75
Debt Service:				
Principal	-	-	62,338	62,338
Interest and Fiscal Charges	21,299	-	15,051	36,350
<u>Total Expenditures</u>	<u>47,790</u>	<u>-</u>	<u>77,389</u>	<u>125,179</u>
<u>Excess of Revenues</u>				
<u>Over (Under) Expenditures</u>	<u>18,355</u>	<u>33,193</u>	<u>1,944</u>	<u>53,492</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	2,000	30,000	-	32,000
<u>Net Change in Fund Balance</u>	<u>20,355</u>	<u>63,193</u>	<u>1,944</u>	<u>85,492</u>
<u>Fund Balances, Beginning of Year</u>	<u>195,931</u>	<u>607,522</u>	<u>149,475</u>	<u>952,928</u>
<u>Fund Balances, End of Year</u>	<u>\$ 216,286</u>	<u>\$ 670,715</u>	<u>\$ 151,419</u>	<u>\$ 1,038,420</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Pine Tree Park Fund</u>	<u>Tax Increment Financing Districts</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>					
Cash	\$ 817	\$ 61,171	\$ 64,189	\$ 99,116	\$ 225,293
Prepaid Expenses	214	-	1,038	-	1,252
<u>Total Assets</u>	<u>\$ 1,031</u>	<u>\$ 61,171</u>	<u>\$ 65,227</u>	<u>\$ 99,116</u>	<u>\$ 226,545</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ -	\$ -	\$ 105	\$ -	\$ 105
Accrued Salaries and Wages Payable	69	-	85	-	154
Unearned Revenues	-	-	10,000	-	10,000
Total Liabilities	<u>69</u>	<u>-</u>	<u>10,190</u>	<u>-</u>	<u>10,259</u>
<u>Fund Balances</u>					
Nonspendable	214	-	1,038	-	1,252
Restricted	-	-	53,999	99,116	153,115
Committed	-	61,171	-	-	61,171
Assigned	748	-	-	-	748
Total Fund Balances	<u>962</u>	<u>61,171</u>	<u>55,037</u>	<u>99,116</u>	<u>216,286</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 1,031</u>	<u>\$ 61,171</u>	<u>\$ 65,227</u>	<u>\$ 99,116</u>	<u>\$ 226,545</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Cemetery Fund	Perpetual Care Fund	Pine Tree Park Fund	Tax Increment Financing Districts	Total Nonmajor Special Revenue Funds
Revenues					
Tax Increments	\$ -	\$ -	\$ -	\$ 32,505	\$ 32,505
Charges for Services	2,700	751	16,028	-	19,479
Intergovernmental Revenues	-	-	11,000	-	11,000
Interest Income	448	100	758	-	1,306
Other	121	-	1,734	-	1,855
Total Revenues	3,269	851	29,520	32,505	66,145
Expenditures					
Current:					
Culture and Recreation	-	-	20,472	-	20,472
Cemetery	5,944	-	-	-	5,944
Capital Outlay	75	-	-	-	75
Debt Service:					
Interest and Fiscal Charges	-	-	-	21,299	21,299
Total Expenditures	6,019	-	20,472	21,299	47,790
Excess of Revenues					
Over (Under) Expenditures	(2,750)	851	9,048	11,206	18,355
Other Financing Sources (Uses)					
Operating Transfers In	2,000	-	-	-	2,000
Net Change in Fund Balance	(750)	851	9,048	11,206	20,355
Fund Balances, Beginning of Year	1,712	60,320	45,989	87,910	195,931
Fund Balances, End of Year	\$ 962	\$ 61,171	\$ 55,037	\$ 99,116	\$ 216,286

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019

	Sewer Maintenance Sinking Fund	Sewer Replacement Fund	Fire Hall Maintenance Fund	Water Sinking Fund	Public Works Reserve Fund	Fire Department Special Equipment Fund	Total Nonmajor Capital Project Funds
<u>ASSETS</u>							
Cash	<u>\$ 69,214</u>	<u>\$ 8,681</u>	<u>\$ 226,829</u>	<u>\$ 121,156</u>	<u>\$ 17,397</u>	<u>\$ 227,438</u>	<u>\$ 670,715</u>
<u>Fund Balances</u>							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 4,966	\$ 227,438	\$ 232,404
Assigned	<u>69,214</u>	<u>8,681</u>	<u>226,829</u>	<u>121,156</u>	<u>12,431</u>	<u>-</u>	<u>438,311</u>
Total Fund Balances	<u>\$ 69,214</u>	<u>\$ 8,681</u>	<u>\$ 226,829</u>	<u>\$ 121,156</u>	<u>\$ 17,397</u>	<u>\$ 227,438</u>	<u>\$ 670,715</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	Sewer Maintenance Sinking Fund	Sewer Replacement Fund	Fire Hall Maintenance Fund	Water Sinking Fund	Public Works Reserve Fund	Fire Department Special Equipment Fund	Total Nonmajor Capital Project Funds
<u>Revenues</u>							
Interest Income	\$ 582	\$ 72	\$ 1,731	\$ 1,018	\$ 144	\$ 2,646	\$ 6,193
Donations and Grants	-	-	-	-	-	27,000	27,000
<u>Total Revenues</u>	582	72	1,731	1,018	144	29,646	33,193
<u>Other Financing Sources (Uses)</u>							
Operating Transfers In	-	-	30,000	-	-	-	30,000
<u>Net Change in Fund Balance</u>	582	72	31,731	1,018	144	29,646	63,193
<u>Fund Balances, Beginning of Year</u>	68,632	8,609	195,098	120,138	17,253	197,792	607,522
<u>Fund Balances, End of Year</u>	\$ 69,214	\$ 8,681	\$ 226,829	\$ 121,156	\$ 17,397	\$ 227,438	\$ 670,715

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
<u>ASSETS</u>					
Cash	\$ 12,311	\$ 87,210	\$ 46,208	\$ 4,074	\$ 149,803
Due from Other Governments	4	1,051	561	-	1,616
Delinquent Property Taxes Receivable	14	2,551	1,982	-	4,547
Special Assessments Receivable	18,000	22,042	-	49,354	89,396
<u>Total Assets</u>	<u>\$ 30,329</u>	<u>\$ 112,854</u>	<u>\$ 48,751</u>	<u>\$ 53,428</u>	<u>\$ 245,362</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
<u>AND FUND BALANCES</u>					
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue	\$ 18,014	\$ 24,593	\$ 1,982	\$ 49,354	\$ 93,943
<u>Fund Balances</u>					
Restricted	-	88,261	46,769	-	135,030
Committed	12,315	-	-	4,074	16,389
Total Fund Balances	12,315	88,261	46,769	4,074	151,419
<u>Total Deferred Inflows of</u>					
<u>Resources and Fund Balances</u>	<u>\$ 30,329</u>	<u>\$ 112,854</u>	<u>\$ 48,751</u>	<u>\$ 53,428</u>	<u>\$ 245,362</u>

CITY OF BLACKDUCK, MINNESOTA
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	2011 Industrial Loan Fund	2006 G.O. Improvement Bonds	2009 G.O. Improvement Bonds	2018 Frontage/ Pine Ave Loan	Total Nonmajor Debt Service Funds
Revenues					
General Property Taxes	\$ 173	\$ 28,797	\$ 20,354	\$ -	\$ 49,324
Special Assessments	9,540	12,098	26	7,381	29,045
Interest Income	118	375	471	-	964
Total Revenues	9,831	41,270	20,851	7,381	79,333
Expenditures					
Debt Service:					
Principal	9,967	35,000	15,000	2,371	62,338
Interest and Fiscal Charges	7	10,667	3,441	936	15,051
Total Expenditures	9,974	45,667	18,441	3,307	77,389
Net Change in Fund Balance	(143)	(4,397)	2,410	4,074	1,944
Fund Balances, Beginning of Year	12,458	92,658	44,359	-	149,475
Fund Balances, End of Year	\$ 12,315	\$ 88,261	\$ 46,769	\$ 4,074	\$ 151,419

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2019

With Comparative Amounts For December 31, 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 301,617	\$ 284,746
Accounts Receivable	23,168	17,816
Special Assessments Receivable	140,542	160,985
Due from Other Governments	223	-
Prepaid Expenses	1,464	1,464
Total Current Assets	467,014	465,011
<u>Capital Assets</u>		
Other Improvements	2,206,386	1,558,145
Construction in Progress	-	587,604
	2,206,386	2,145,749
Less: Accumulated Depreciation	(828,217)	(758,700)
Capital Assets, Net of Depreciation	1,378,169	1,387,049
Total Assets	1,845,183	1,852,060
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	6,744	13,525
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	52,000	52,000
Accounts Payable	3,257	11,232
Sales Tax Payable	283	381
Accrued Interest Payable	7,727	7,951
Accrued Salaries and Wages Payable	1,355	1,355
Total Current Liabilities	64,622	72,919
<u>Long-Term Liabilities</u>		
Bonds Payable, Net of Unamortized Bond Discount	985,834	1,006,873
Less: Current Portion	(52,000)	(52,000)
Accrued Compensated Absences	3,139	3,901
Net Pension Liability	40,249	48,930
Total Long-Term Liabilities	977,222	1,007,704
Total Liabilities	1,041,844	1,080,623
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	12,827	13,168
<u>NET POSITION</u>		
Net Investment in Capital Assets	392,335	380,176
Unrestricted	404,921	391,618
Total Net Position	\$ 797,256	\$ 771,794

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts For The Year Ended December 31, 2018

	2019		Variance - Positive (Negative)	2018 Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 216,250	\$ 207,451	\$ (8,799)	\$ 206,563
<u>Operating Expenses</u>				
Personnel Services	82,089	78,075	4,014	73,999
Utilities	11,500	11,623	(123)	9,035
Supplies and Materials	11,300	7,851	3,449	9,362
Repairs and Maintenance	10,000	10,692	(692)	9,923
Contracted Services	3,500	8,763	(5,263)	3,571
Insurance	3,900	3,752	148	3,799
Depreciation and Amortization	-	70,006	(70,006)	70,004
Other Expenses	16,900	10,019	6,881	7,001
Total Operating Expenses	<u>139,189</u>	<u>200,781</u>	<u>(61,592)</u>	<u>186,694</u>
<u>Operating Income (Loss)</u>	<u>77,061</u>	<u>6,670</u>	<u>(70,391)</u>	<u>19,869</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	-	8,146	8,146	1,287
Intergovernmental Grants and Aids	-	30,165	30,165	400
Special Assessments	-	-	-	179,334
Miscellaneous	400	27	(373)	899
Interest Expense	<u>(19,828)</u>	<u>(19,546)</u>	<u>282</u>	<u>(18,726)</u>
Total Non-Operating Revenues (Expenses)	<u>(19,428)</u>	<u>18,792</u>	<u>38,220</u>	<u>163,194</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>57,633</u>	<u>25,462</u>	<u>(32,171)</u>	<u>183,063</u>
<u>Operating Transfers</u>				
Transfer to Other Funds	-	-	-	(15,000)
<u>Net Income (Loss)</u>	<u>57,633</u>	<u>25,462</u>	<u>(32,171)</u>	<u>168,063</u>
<u>Net Position, Beginning of Year</u>	<u>771,794</u>	<u>771,794</u>	<u>-</u>	<u>603,731</u>
<u>Net Position, End of Year</u>	<u>\$ 829,427</u>	<u>\$ 797,256</u>	<u>\$ (32,171)</u>	<u>\$ 771,794</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2019	2018
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 201,876	\$ 204,900
Cash Paid to Employees	(81,078)	(76,201)
Cash Paid to Suppliers	(60,773)	(32,961)
Net Cash Provided by (Used in) Operating Activities	60,025	95,738
<u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	27	899
Transfers to Other Funds	-	(15,000)
Net Cash Provided by (Used in) Non-Capital Financing Activities	27	(14,101)
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(60,637)	(9,721)
Bond Proceeds	30,472	9,721
Principal Paid on Bonds Payable	(52,000)	(51,089)
Grant Proceeds	30,165	400
Special Assessment Collections	20,443	18,349
Interest and Fees Paid on Bonds	(19,770)	(20,238)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(51,327)	(52,578)
<u>Cash Flows from Investing Activities</u>		
Interest Income	8,146	1,287
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	16,871	30,346
<u>Cash and Cash Equivalents, Beginning of Year</u>	284,746	254,400
<u>Cash and Cash Equivalents, End of Year</u>	\$ 301,617	\$ 284,746

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

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

	<u>2019</u>	<u>2018</u>
<u>Operating Income (Loss)</u>	\$ 6,670	\$ 19,869
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	70,006	70,004
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(5,352)	(1,663)
(Increase) Decrease in Due from Other Governments	(223)	-
(Increase) Decrease in Deferred Outflows of Resources	6,781	1,827
Increase (Decrease) in Accounts Payable	(7,975)	9,956
Increase (Decrease) in Sales Tax Payable	(98)	(226)
Increase (Decrease) in Accrued Compensated Absences	(762)	127
Increase (Decrease) in Deferred Inflows of Resources	(341)	(419)
Increase (Decrease) in Net Pension Liability	(8,681)	(3,737)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 60,025</u>	<u>\$ 95,738</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2019

With Comparative Amounts For December 31, 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 191,586	\$ 287,567
Accounts Receivable	22,274	17,816
Property Taxes Receivable	700	645
Special Assessments Receivable	84,728	97,262
Due from Other Governments	485	116
Prepaid Expenses	2,843	2,843
Total Current Assets	<u>302,616</u>	<u>406,249</u>
<u>Capital Assets</u>		
Land and Buildings	2,289,673	2,289,673
Furniture, Fixtures and Equipment	11,944	9,104
Other Improvements	743,541	148,251
Construction in Progress	-	544,125
	<u>3,045,158</u>	<u>2,991,153</u>
Less: Accumulated Depreciation	(2,288,431)	(2,277,717)
Capital Assets, Net of Depreciation	<u>756,727</u>	<u>713,436</u>
<u>Total Assets</u>	<u>1,059,343</u>	<u>1,119,685</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>7,263</u>	<u>14,491</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	26,000	109,356
Accounts Payable	1,520	14,399
Accrued Interest Payable	1,681	3,027
Accrued Salaries and Wages Payable	2,338	1,424
Total Current Liabilities	<u>31,539</u>	<u>128,206</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	135,644	245,000
Less: Current Portion	(26,000)	(109,356)
Accrued Compensated Absences	3,258	4,264
Net Pension Liability	43,346	52,425
Total Long-Term Liabilities	<u>156,248</u>	<u>192,333</u>
<u>Total Liabilities</u>	<u>187,787</u>	<u>320,539</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>13,813</u>	<u>14,108</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	621,083	468,436
Unrestricted	<u>243,923</u>	<u>331,093</u>
<u>Total Net Position</u>	<u>\$ 865,006</u>	<u>\$ 799,529</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, 2019

With Comparative Amounts For The Year Ended December 31, 2018

	2019		Variance - Positive (Negative)	2018 Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 171,598	\$ 155,182	\$ (16,416)	\$ 159,514
<u>Operating Expenses</u>				
Personnel Services	85,250	82,189	3,061	76,712
Utilities	16,500	26,588	(10,088)	16,701
Supplies and Materials	3,500	2,526	974	2,912
Repairs and Maintenance	14,500	8,773	5,727	7,612
Contracted Services	4,750	3,393	1,357	7,206
Insurance	5,800	5,620	180	5,745
Depreciation	25,000	14,374	10,626	81,140
Other Expenses	4,700	5,580	(880)	5,491
Total Operating Expenses	160,000	149,043	10,957	203,519
<u>Operating Income (Loss)</u>	11,598	6,139	(5,459)	(44,005)
<u>Non-Operating Income (Expense)</u>				
Interest Income	-	4,720	4,720	949
Property Taxes	8,041	8,147	106	8,413
Special Assessments	1,888	-	(1,888)	103,229
Intergovernmental Grants and Aids	-	51,383	51,383	8,620
Miscellaneous	-	989	989	606
Fiscal Agent Fees	-	(16)	(16)	-
Interest Expense	(3,127)	(5,885)	(2,758)	(7,729)
Total Non-Operating Income (Expense)	6,802	59,338	52,536	114,088
<u>Net Income (Loss) Before Operating Transfers</u>	18,400	65,477	47,077	70,083
<u>Operating Transfers</u>				
Transfer to Other Funds	-	-	-	(10,000)
<u>Net Income (Loss)</u>	18,400	65,477	47,077	60,083
<u>Net Position, Beginning of Year</u>	799,529	799,529	-	739,446
<u>Net Position, End of Year</u>	\$ 817,929	\$ 865,006	\$ 47,077	\$ 799,529

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 150,355	\$ 157,915
Cash Paid to Employees	(84,427)	(79,434)
Cash Paid to Suppliers	<u>(65,359)</u>	<u>(32,466)</u>
Net Cash Provided by (Used in) Operating Activities	<u>569</u>	<u>46,015</u>
 <u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	989	606
Transfers To Other Funds	-	<u>(10,000)</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>989</u>	<u>(9,394)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(57,665)	(15,339)
Principal Paid on Bonds Payable	(109,356)	(19,000)
Grant Proceeds	51,383	8,620
Property Taxes Proceeds	8,092	8,326
Special Assessment Proceeds	12,534	11,328
Fiscal Agent Fees Paid	(16)	-
Interest and Fees Paid on Bonds	<u>(7,231)</u>	<u>(6,220)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(102,259)</u>	<u>(12,285)</u>
 <u>Cash Flows from Investing Activities</u>		
Interest Income	<u>4,720</u>	<u>949</u>
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(95,981)</u>	<u>25,285</u>
 <u>Cash and Cash Equivalents, Beginning of Year</u>	<u>287,567</u>	<u>262,282</u>
 <u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 191,586</u>	<u>\$ 287,567</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

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

	<u>2019</u>	<u>2018</u>
<u>Operating Income (Loss)</u>	\$ 6,139	\$ (44,005)
<u>Adjustments to Reconcile Operating Income (Loss) to</u> <u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	14,374	81,140
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(4,458)	(1,663)
(Increase) Decrease in Due from Other Governments	(369)	64
(Increase) Decrease in Deferred Outflows of Resources	7,228	1,884
Increase (Decrease) in Accounts Payable	(12,879)	13,201
Increase (Decrease) in Accrued Salaries and Wages Payable	914	-
Increase (Decrease) in Accrued Compensated Absences	(1,006)	(469)
Increase (Decrease) in Deferred Inflows of Resources	(295)	(383)
Increase (Decrease) in Net Pension Liability	(9,079)	(3,754)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 569</u>	<u>\$ 46,015</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL GOLF COURSE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Accounts Receivable	\$ 259	\$ 472
Property Taxes Receivable	264	-
Due from Other Governments	404	-
Prepaid Expenses	<u>2,622</u>	<u>3,163</u>
Total Current Assets	<u>3,549</u>	<u>3,635</u>
<u>Capital Assets</u>		
Land and Buildings	208,712	208,712
Furniture, Fixtures and Equipment	<u>363,705</u>	<u>363,705</u>
	572,417	572,417
Less: Accumulated Depreciation & Amortization	<u>(400,520)</u>	<u>(379,348)</u>
Capital Assets, Net of Depreciation	<u>171,897</u>	<u>193,069</u>
<u>Total Assets</u>	<u>175,446</u>	<u>196,704</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>3,631</u>	<u>3,864</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	23,000	22,000
Accounts Payable	1,448	2,562
Accrued Interest Payable	<u>1,208</u>	<u>1,385</u>
Total Current Liabilities	<u>25,656</u>	<u>25,947</u>
<u>Long-Term Liabilities</u>		
Due to Other Funds	110,878	82,250
Bonds Payable, Net of Unamortized Bond Discount	130,727	152,673
Current Portion of Bonds Payable	(23,000)	(22,000)
Net Pension Liability	<u>21,673</u>	<u>13,980</u>
Total Long-Term Liabilities	<u>240,278</u>	<u>226,903</u>
<u>Total Liabilities</u>	<u>265,934</u>	<u>252,850</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>6,907</u>	<u>3,762</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	41,170	40,396
Unrestricted	<u>(134,934)</u>	<u>(96,440)</u>
<u>Total Net Position</u>	<u>\$ (93,764)</u>	<u>\$ (56,044)</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL GOLF COURSE ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

With Comparative Amounts For The Year Ended December 31, 2018

	2019		Variance - Positive (Negative)	2018 Actual
	Original and Final Budget	Actual		
<u>Sales</u>	\$ 15,300	\$ 12,399	\$ (2,901)	\$ 14,343
<u>Cost of Sales</u>	(8,500)	(8,000)	500	(9,002)
<u>Gross Profit</u>	6,800	4,399	(2,401)	5,341
<u>Operating Revenues</u>	87,750	72,548	(15,202)	79,766
<u>Total Gross Profit and Operating Revenues</u>	94,550	76,947	(17,603)	85,107
<u>Operating Expenses</u>				
Personnel Services	57,325	73,986	(16,661)	46,884
Utilities	7,350	6,617	733	6,888
Supplies and Materials	8,500	7,931	569	9,420
Advertising and Promotion	-	-	-	111
Repairs and Maintenance	-	18,268	(18,268)	16,859
Contracted Services	-	-	-	500
Insurance	7,050	7,583	(533)	7,215
Depreciation and Amortization	-	21,226	(21,226)	21,226
Other Expenses	29,600	9,053	20,547	9,960
Total Operating Expenses	109,825	144,664	(34,839)	119,063
<u>Operating Income (Loss)</u>	(15,275)	(67,717)	(52,442)	(33,956)
<u>Non-Operating Revenues (Expenses)</u>				
Property Taxes	16,368	16,213	(155)	-
Grant Proceeds	-	5,824	5,824	-
Miscellaneous	-	896	896	4,637
Interest Expense	(3,113)	(2,936)	177	(3,600)
Total Non-Operating Revenues (Expenses)	13,255	19,997	6,742	1,037
<u>Net Income (Loss) Before Operating Transfers</u>	(2,020)	(47,720)	(45,700)	(32,919)
<u>Operating Transfers</u>				
Transfer From Other Funds	10,000	10,000	-	-
<u>Net Income (Loss)</u>	7,980	(37,720)	(45,700)	(32,919)
<u>Net Position, Beginning of Year</u>	(56,044)	(56,044)	-	(23,125)
<u>Net Position, End of Year</u>	\$ (48,064)	\$ (93,764)	\$ (45,700)	\$ (56,044)

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL GOLF COURSE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Users and Customers	\$ 84,492	\$ 98,274
Cash Paid to Employees	(62,915)	(53,366)
Cash Paid to Suppliers	<u>(58,025)</u>	<u>(58,794)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(36,448)</u>	<u>(13,886)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Miscellaneous Revenue	896	-
Interfund Financing	28,628	29,314
Transfers From Other Funds	<u>10,000</u>	<u>-</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>39,524</u>	<u>29,314</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Paid on Bonds Payable	(22,000)	(10,000)
Property Taxes Proceeds	16,213	-
Grant Proceeds	5,824	-
Interest Paid	<u>(3,113)</u>	<u>(5,428)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,076)</u>	<u>(15,428)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	-	-
<u>Cash and Cash Equivalents, Beginning of Year</u>	-	-
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Operating Income (Loss)</u>	\$ (67,717)	\$ (29,319)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	21,226	21,226
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	213	(472)
(Increase) Decrease in Property Taxes Receivable	(264)	-
(Increase) Decrease in Due from Other Governments	(404)	-
(Increase) Decrease in Prepaid Expenses	541	-
(Increase) Decrease in Deferred Outflows of Resources	233	2,277
Increase (Decrease) in Accounts Payable	(1,114)	1,161
Increase (Decrease) in Deferred Inflows of Resources	3,145	(1,672)
Increase (Decrease) in Net Pension Liability	<u>7,693</u>	<u>(7,087)</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ (36,448)</u>	<u>\$ (13,886)</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2019

With Comparative Amounts For December 31, 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 234,553	\$ 192,463
Cash on Hand	2,000	2,500
Accounts Receivable	5,238	571
Inventory	106,097	101,308
Prepaid Expenses	7,840	7,840
Total Current Assets	355,728	304,682
<u>Capital Assets</u>		
Land and Buildings	355,843	355,843
Furniture, Fixtures and Equipment	62,381	65,384
Other Improvements	54,634	67,952
	472,858	489,179
Less: Accumulated Depreciation	(323,112)	(326,651)
Capital Assets, Net of Depreciation	149,746	162,528
<u>Non-Current Assets</u>		
Due from Other Funds	110,878	82,250
<u>Total Assets</u>	616,352	549,460
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	18,676	33,813
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	53,841	50,544
Sales Taxes Payable	10,848	10,656
Accrued Salaries and Wages Payable	5,470	3,457
Total Current Liabilities	70,159	64,657
<u>Long-Term Liabilities</u>		
Accrued Compensated Absences	7,339	3,381
Net Pension Liability	111,460	122,324
Total Long-Term Liabilities	118,799	125,705
<u>Total Liabilities</u>	188,958	190,362
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	35,520	32,919
<u>NET POSITION</u>		
Net Investment in Capital Assets	149,746	162,528
Unrestricted	260,804	197,464
<u>Total Net Position</u>	\$ 410,550	\$ 359,992

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, 2019
With Comparative Amounts For December 31, 2018

	2019			2018 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<u>Sales</u>	\$ 1,017,900	\$ 1,243,244	\$ 225,344	\$ 1,165,173
<u>Cost of Sales</u>	(595,500)	(740,168)	(144,668)	(703,372)
<u>Gross Profit</u>	422,400	503,076	80,676	461,801
<u>Operating Expenses</u>				
Personnel Services	218,206	229,468	(11,262)	222,218
Utilities	35,050	34,476	574	33,778
Supplies and Materials	11,750	21,766	(10,016)	18,460
Advertising and Promotion	9,000	13,742	(4,742)	11,171
Repairs and Maintenance	10,000	7,599	2,401	10,359
Contracted Services	6,500	7,292	(792)	6,500
Insurance	20,600	18,800	1,800	19,579
Depreciation	-	15,727	(15,727)	13,811
Other Expenses	34,550	43,193	(8,643)	42,892
Total Operating Expenses	345,656	392,063	(46,407)	378,768
<u>Operating Income</u>	76,744	111,013	34,269	83,033
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	-	4,666	4,666	1,240
State Aid	-	-	-	949
Rental Income	7,000	9,879	2,879	9,964
Total Non-Operating Revenues	7,000	14,545	7,545	12,153
<u>Net Income (Loss) Before Operating Transfers</u>	83,744	125,558	41,814	95,186
<u>Operating Transfers</u>				
Transfer To Other Funds	(75,000)	(75,000)	-	(65,000)
<u>Net Income (Loss)</u>	8,744	50,558	41,814	30,186
<u>Net Position, Beginning of Year</u>	359,992	359,992	-	329,806
<u>Net Position, End of Year</u>	\$ 368,736	\$ 410,550	\$ 41,814	\$ 359,992

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts For December 31, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,238,577	\$ 1,177,218
Cash Paid to Employees	(216,623)	(202,729)
Cash Paid to Suppliers	(888,336)	(850,670)
Net Cash Provided by (Used in) Operating Activities	<u>133,618</u>	<u>123,819</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers To Other Funds	(75,000)	(65,000)
Interfund Financing	(28,628)	(29,314)
State Aid	-	949
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(103,628)</u>	<u>(93,365)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	<u>(2,945)</u>	<u>(53,326)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	4,666	1,240
Rental Income	9,879	9,964
Net Cash Provided by (Used in) Investing Activities	<u>14,545</u>	<u>11,204</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>41,590</u>	<u>(11,668)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>194,963</u>	<u>206,631</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 236,553</u>	<u>\$ 194,963</u>

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

<u>Operating Income (Loss)</u>	\$ 111,013	\$ 83,033
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	15,727	13,811
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	(4,667)	12,045
(Increase) Decrease Inventory	(4,789)	(3,779)
(Increase) Decrease Deferred Outflows of Resources	15,137	(2,086)
Increase (Decrease) Accounts Payable	3,297	(1,088)
Increase (Decrease) Sales Tax Payable	192	308
Increase (Decrease) Accrued Salaries and Wages Payable	2,013	-
Increase (Decrease) Accrued Compensated Absences	3,958	3,256
Increase (Decrease) Deferred Inflows of Resources	2,601	4,841
Increase (Decrease) Net Pension Liability	(10,864)	13,478
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 133,618</u>	<u>\$ 123,819</u>



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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements, and have issued our report thereon dated April 14, 2020.

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

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

Miller McDonald, Inc.

April 14, 2020
 Bemidji, Minnesota



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 Certified Public Accountants
 513 Beltrami Avenue
 P.O. Box 486
 Bemidji, MN 56619
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 Fax (218) 751 - 0782
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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, 2019, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota’s basic financial statements and have issued our report thereon dated April 14, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Blackduck, Minnesota’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Blackduck, Minnesota’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Blackduck, Minnesota's Response to Findings

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

Purpose of this Report

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

Miller McDonald, Inc.

April 14, 2020
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

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

Internal Control

Finding 2019-001: Preparation of Financial Statements

Condition

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

Criteria

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

Effect

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

Cause

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

Recommendation

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

Management's Response – Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

2. Actions Planned in Response to Finding

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

3. Official Responsible for Ensuring CAP Implementation

Christina Regas, City Administrator

4. Planned Completion of CAP

Ongoing

5. Plan to Monitor Completion of CAP

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

Finding 2019-002: Segregation of Accounting Duties

Condition

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

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

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

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

Criteria

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

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

Effect

The impact to the financial statements has not been determined.

Cause

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

Recommendation

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

Management's Response – Corrective Action Plan (CAP)

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

There is no disagreement with the audit finding.

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

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

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

N/A

4. **Planned Completion of CAP**

N/A

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

N/A