



1. **CALL TO ORDER** – Mayor Rudy Patch
 - a. **Pledge of Allegiance**
 - b. **Roll Call**

2. **APPROVAL OF AGENDA**

3. **CONSENT AGENDA** –*All items listed under the Consent Agenda, unless removed from the Consent Agenda shall be approved by one Council motion.*
 - a. **May 7th, 2018 Council Meeting Minutes**
 - b. **May 9th, 2018 Blackduck Development Corp. Meeting Minutes**
 - c. **May 16th, 2018 Planning Commission Meeting Minutes**
 - d. **May 21st, 2018 Council Work Session Meeting Minutes**
 - e. **May 2018 Fund Balance Report**
 - f. **May 2018 Bills**
 - g. **YTD May 2018 Income Statements**
 - a. **Water, Sewer, Pine Tree Park, and Golf Course**
 - b. **Liquor Store**
 - h. **May 2018 Month End Remittance Report**
 - i. **April 2018 LG216 Lawful Gambling Monthly Rent Report**
 - j. **May 2018 Revolving Loan Fund Bills**
 - k. **Final approval of May/June Part-time & Seasonal employees**
 - l. **Special Event/Community Festival Liquor License Application 2018-01– Blackduck American Legion July 14, 2018**
 - m. **Final approval of Sanitary Sewer Discharge Permit 2018-02 – Juelson Plumbing & Heating**
 - n. **MN Investment Fund State funded RLF One-Time Exception Submitted 20% returned funds – final approval**

4. **BLACKDUCK FORUM** – *Visitors may share their concerns with Council on any issue, which is not already on the agenda. Each person will have 3 minutes to speak. The Mayor reserves the right to limit an individual’s presentation if it becomes redundant. The Mayor may also limit the number of individual presentations on any issue to accommodate the scheduled agenda items. All comments will be taken under advisement by the Council. No action will be taken at the time.*

5. **2017 FINANCIAL AUDIT PRESENTATION** – Jon Roscoe, Miller McDonald
 - a. **Board Presentation Report**
 - b. **Financial Audit Report**

6. **FIRE DEPARTMENT REPORT** – Brian Larson, Fire Chief
 - a. **Resolution 2018-11 – Resolution approving an off-site gambling license for the Blackduck Fire Relief Association**
 - b. **Training Storage Unit Purchase –**
 - c. **Final Approval new Volunteer Fire Fighter – Chris Colliton**

7. **PUBLIC WORKS REPORT** – Bob Klug Jr., Public Works Supervisor
 - a. **Resolution 2018-10 – Resolution authorizing the City of Blackduck to be a party to Minnesota Water Agency Response Network (MnWARN)**
 - b. **Minnesota Water Agency Response Network (MnWARN) Mutual Aid Agreement**

8. **LIQUOR STORE REPORT** – Shawnda Lahr, Liquor Store Manager
9. **LAW ENFORCEMENT REPORT** – Jace Grangruth, Police Chief
10. **GOLF COURSE REPORT** – Jim Andersen, Golf Course Superintendent
 - a. Golf Board Meeting – June 12th, 2018
11. **LIBRARY REPORT** – Kelly Hanks, Head Librarian
12. **ADMINISTRATOR’S REPORT** – Christina Regas, City Administrator
 - a. [Public Hearing Requested - Resolution Vacating Streets & Alleys in the Lee’s Addition](#)
 - b. Reminder June 18th, 2018 Council Work Session
 - c. Reminder July 9th, 2018 Council Meeting
13. **COMMUNITY EVENTS/GOOD THINGS HAPPENING** –
 - a. **City of Blackduck Employee Anniversaries** –
 - i. **Terry Frenzel - (June, 2000)**
 - ii. **Natasha Stadstad – (June 2016)**
 - b. Blackduck Development Corporation Meeting –June 13th, 2018 @ 11:00am
 - c. Blackduck Chamber Meeting – June 20th, 2018 noon @ Restaurant 71
 - d. Blackduck Planning Commission Meeting – June 20th, 2018 @ 2pm
14. **ADJOURN**



BLACKDUCK CITY COUNCIL MEETING

MONDAY MAY 7TH, 2018 6PM

REGULAR COUNCIL MEETING MINUTES

CALL TO ORDER: The City Council of the City of Blackduck met in Regular Session at Blackduck City Hall at 6:00p.m. May 7th, 2018. Meeting called to order by Mayor Patch and the Pledge of Allegiance was stated.

ROLL CALL:

Councilors present: Mayor Patch, Councilors Sellon, Molnar, and Kolb

Councilors Absent: none

Staff Present: City Administrator Christina Regas, Public Works Supervisor Bob Klug, Liquor Store Manager Shawnda Lahr, and Chief of Police Jace Grangruth, Pond employee Natasha Stadstad

Others Present: none

APPROVAL OF AGENDA –Moved by Councilor Sellon and seconded by Councilor Molnar to approve the agenda as submitted. Motion carried unanimously.

CONSENT AGENDA – Moved by Councilor Kolb and seconded by Councilor Sellon to approve the consent agenda as submitted:

- a. April 9th, 2018 Council Meeting
- b. April 11th, 2018 Blackduck Development Corp. Meeting Minutes
- c. April 16th, 2018 Blackduck Public Hearing Meeting Minutes – Frontage Road & Pine Ave.
- d. April 16th, 2018 Blackduck Public Hearing Meeting Minutes – Summit & Main
- e. April 17th, 2018 Golf Board Meeting Minutes
- f. April 18th, 2018 Planning Commission Meeting Minutes
- g. April 25th, 2018 Revolving Loan Fund Committee Meeting Minutes
- h. April 2018 Fund Balance Report
- i. April 2018 Bills
- j. YTD April 2018 Income Statements
 - a. Water, Sewer, Pine Tree Park, and Golf Course
 - b. Liquor Store
- k. April 2018 Month End Remittance Report
- l. March 2018 LG216 Lawful Gambling Monthly Rent Report
- m. April 2018 Revolving Loan Fund Bills
- n. Final approval of April/May Part-time & Seasonal employees

Motion carried unanimously.

BLACKDUCK FORUM –

No one present to speak.



BLACKDUCK CITY COUNCIL MEETING

MONDAY MAY 7TH, 2018 6PM

REGULAR COUNCIL MEETING MINUTES

PUBLIC WORKS REPORT – Bob Klug Jr., Public Works Supervisor

1. Report – Klug reported his team has been busy getting the golf carts ready for opening day. Klug stated that Pine Tree Park will be open on Wednesday. Klug stated his team charged the system today with Chlorine to kill any germs and then later they will flush out the system so the water is safe and his team will complete the checklist from the MDH prior to opening. Mayor Patch asked is the park had a host this year. Regas reported no but if anyone knew of someone to send them her way. Councilor Kolb asked if the City has any flexibility on the requirements on when the host needs to be at the park. Regas reported it is best for the host to be there between Memorial weekend through Labor Day weekend. Klug further stated that Wayside Rest Park is open, and the EMV station is installed by Beltrami Electric. Klug stated he hopes to have new street light heads at Wayside Rest Park installed. Councilor Kolb asked if Oscar Ave NW will have any maintenance completed on it this summer as the section near the townhomes is in poor condition. Klug reported that maintenance will do a patch job on that section however there is still frost coming out of the ground at this time. Klug stated that most of the damage is from the garbage truck. Klug stated that when a patch job is complete it will just be when other paving jobs are completed in town. Nothing further.

LIQUOR STORE REPORT – Shawnda Lahr, Liquor Store Manager

1. Report – Lahr reported the Memorial Day hours for the Pond will be 10-6pm, and the Monday and Tuesday summer hours they are open until 1am. Klug stated at the next regular meeting he would have a paving schedule for the parking lot.

LAW ENFORCEMENT REPORT – Jace Grangruth, Police Chief

1. Report – Chief Grangruth stated he had nothing to report this month his department has been busy. Mayor Patch congratulated Chief Grangruth and his wife on the birth of their baby girl recently. Nothing further.

FIRE DEPARTMENT REPORT – Brian Larson, Fire Chief

No report submitted.

GOLF COURSE REPORT – Jim Andersen, Golf Course Superintendent

1. Report – Regas reported on behalf of Andersen that there was a staff meeting held on May 6th and it went well. Regas stated the opening date will be Wednesday May 9th, 2018 and the board extended the early bird discount to May 13th, 2018 for the extra 10% off memberships. Regas reported memberships have been coming in and the numbers are comparable to 2017. Mayor Patch asked about the new Twilight Membership. Regas stated the Twilight membership is Monday through Sunday after 4pm and is \$250/person. Nothing further.

LIBRARY REPORT – Kelly Hanks, Head Librarian

1. Report – Regas stated that Kelly and Kendra were invited to the council meetings but could not make it this month. Regas stated that Murry has attended two Kitchigami Regional Library Board Meetings and has been attending the local Blackduck Library Board meetings.



BLACKDUCK CITY COUNCIL MEETING

MONDAY MAY 7TH, 2018 6PM

REGULAR COUNCIL MEETING MINUTES

ADMINISTRATOR'S REPORT – Christina Regas, City Administrator

1. Resolution 2018-08 – Resolution authorizing PERA contributions for qualifying part-time Police officers for the City of Blackduck – Moved by Mayor Patch and seconded by Councilor Molnar to approve resolution 2018-08. Motion carried unanimously.
2. Resolution 2018-09 – Resolution in support of RLF forgiveness to existing loan borrowers – Moved by Councilor Kolb and seconded by Councilor Sellon to approve Resolution 2018-09. Motion carried unanimously.
3. County request for consideration of Township consideration to the Northern MN Veterans Home – Moved by Councilor Sellon and seconded by Councilor Kolb for the City of Blackduck not to pledge local funds to the Northern MN Veterans Home. Mayor Patch stated although he is in favor of the Northern MN Veterans Home and the benefit the Blackduck area would gain from it he is not in favor of pledging additional municipal funds from the City of Blackduck tax payers. Mayor Patch further stated that as a Beltrami County tax payer he would be pledging funds twice. Councilor Sellon asked if there is another fund that the City could pledge money from that does not affect property taxes. Regas stated no as the funds will come from bonding so the additional pledged funds would need to be in the City levy. Councilor Molnar stated that she believes it is a great cause but the project has a lot of uncertainty and is not in favor of pledging additional funds. Hearing no further discussion Mayor Patch called for a vote on the motion. Motion carried unanimously.
4. Reminder May 21st, 2018 Council Work Session – Regas requested a work session.
5. Reminder City Hall Closed in Observance of Memorial Day – May 28th, 2018
6. Reminder June 4th, 2018 Council Meeting – Moved by Mayor Patch and seconded by Councilor Kolb to moved the regular council meeting to June 5th, 2018 as the City Council would not have a quorum on June 4th, 2018. Motion carried unanimously.

COMMUNITY EVENTS/GOOD THINGS HAPPENING –

1. **City of Blackduck Employee Anniversaries –**
 - Rudy Patch - (May, 2012)**
 - Chris Brown – (May 2013)**
 - Leo Gross Jr. - (May 2009)**
 - Don Jones Jr. - (May, 2008)**
 - Fletcher Cauchon - (May, 2008)**
 - Matt Landis - (May, 2008)**
 - Rae Burmeister – (May, 2000)**
 - Andy Thienes – (May, 1998)**
 - Jim Peasley – (May, 1991)**
 - Don Anderson – (June, 1976)**
2. Blackduck Development Corporation Meeting –May 9th, 2018 @ 11:00am
3. Blackduck Chamber of Commerce Connection – May 9th, 2018 @ 5pm H.S. Multi-purpose room
4. Blackduck Chamber City Wide Garage Sale – May 12th, 2018
5. Blackduck Chamber Meeting – May 16th, 2018 noon @ The Pond
6. Blackduck Planning Commission Meeting – May 16th, 2018 @ 2pm
7. Backwoods Bash Boil – May 19th, 2018 @ 5pm @ Fire Hall
8. Memorial Day Service – May 28th, 2018 @ 10am @ Blackduck HS



BLACKDUCK CITY COUNCIL MEETING

MONDAY MAY 7TH, 2018 6PM

REGULAR COUNCIL MEETING MINUTES

OTHER NEW BUSINESS – No new business was brought to Council.

ADJOURN – Moved by Councilor Molnar and seconded by Councilor Kolb to adjourn the meeting at 6:30pm. Motion carried unanimously.

Christina Regas, City Administrator

Rudy Patch, Mayor



Blackduck Development Corporation Meeting Minutes
May 9th, 2018 11:00am
Good Samaritan Society Community Room

Members Present: Dwight Kalvig, Christina Regas, Daryl Lundberg, and Steve Cochems,

Guests Present: none

- I. Called to Order** - Meeting was called to order at 11:00 AM
- II. Secretary's Minutes** – Moved by Cochems and seconded by Lundberg to approve the minutes from the April 11th, 2018 meeting as written. Motion carried unanimously.
- III. Treasurer's Report** – no report submitted for review.
- IV. Old Business**
 - a. Housing Projects** –
 1. Remaining BDC owned Wolden Property – Regas communicated a message from Frenzel that Krabbenhoft will be working with the BDC in May to move forward with the purchase agreement. Nothing further.
 - b. Promoting Blackduck** – nothing discussed.
 - c. Sanford Clinic Expansion** – Kalvig had communication from Chan Moon and indicated that Sanford had not contacted Moon for a very long time. After further conversation, Regas offered to extend an email to Karla Eischens regarding the contract and further updates. Cochems offered to reach out to Dave Hengel to see if he can assist with moving the process forward. Kalvig offered to speak with Bruce Meade because he sits on the Sanford Board. Nothing further.
 - d. Support for New Financial Institution** – Kalvig did not have the updates on the drafted letter. Nothing further at this time.
 - e. Buying bad houses for demolition** – Regas stated Mary Thompson is looking into ways to fund housing demolition and attend the June meeting. Nothing further.
 - f. Jack Bun & Jim Bensen** – Kalvig stated Bun and Bensen could not attend the May meeting but would be present in June. Nothing further.
 - g. Mychael Stittsworth** – Regas reported having communicated with Stittsworth in the past month that Stittsworth is very excited to work on a meeting with local farmers. Kalvig encouraged Regas finalize a date for a meeting with Stittsworth and the local farmers and to host possibly a dinner at Hillcrest so Stittsworth can discuss his needs. Kalvig stated the BDC can pay for the dinner for all in attendance. Regas asked for the board members to come up with a list of 25+ farmers to invite. Nothing further.
- V. Adjourn** - Moved by Regas and second by Kalvig to adjourn the meeting at 11:46 AM.

Minutes taken and typed by: Christina Regas, BDC Secretary



BLACKDUCK PLANNING MEETING

WEDNESDAY May 16th, 2018 2:00PM

REGULAR MEETING MINUTES

CALL TO ORDER: Commissioner Benson called the Planning meeting to order at 2:03pm.

ROLL CALL:

Commissioners present: Kurt Benson, Russel Kunkel, and Kurt Cease

Commissioners Absent: Bob Klug Sr., and Ernie Tindell

Staff Present: City Administrator Christina Regas, Public Works Supervisor Bob Klug Jr.

Others Present: Don Jones Jr. and Darrell Gross

Approval of Minutes – Moved by Commissioner Kunkel and seconded by Commissioner Cease to approve the minutes of the April 18th, 2018 regular meeting. Motion approved unanimously.

Old Business

Video Express – No updates provided.

Blighted Properties – Regas reviewed additional letters sent to blighted property. Commissioner Benson requested the City move forward on the property owned by Hotvedt. Benson stated the numerous letters and fines have not made any changes to it for 6 years. It was decided the City needs to consult the City Attorney and move forward with towing the inoperable vehicle(s), cut the grass, and assess the taxes. Regas will consult Beltrami County for status of property taxes. Benson stated it is not fair to the other property owners to take care of their parcels and not to this one. Regas was instructed to call the City attorney and find out what legal recourse the City can take. Nothing further.

Bogart's Parking/Storage Lot located on 288 Main Street North – Regas reviewed the ordinances and reported the parcel was rezoned to residential in 2004. Regas stated that a residential parcel cannot be given a variance or conditional use permit for a parking lot. Regas stated that unless Bogart is interested in rezoning the parcel back to commercial at this point there is nothing the City can allow. Commission Benson stated that if the lot is cleaned up then the commission doesn't currently have any issues with the lot. Regas stated that if the current owner wishes to sell it in the future then it would be beneficial to have the lot zoned correctly. Klug stated that the City prefers the vehicles parked in the lot than on the street, and if the lot remains with a new owner to stipulate that any vehicles should remain on the lot. Nothing further.

New Business –

Land Use Application 2018-04 – Don Jones Jr. 73 Northern Ave NW Fence - Regas reviewed the application with the commission. Moved by Commission Cease and seconded by Commissioner Kunkel to approve the land use application 2018-04 for a fence on 73 Northern Ave. NW. Discussion detailed the need to add a privacy fence on the south property line set back 1 foot from the line with the two trees on the outside of the fence; a chain ling fence on the north, west, and east side with a gate located on the north end. Regas further stated the west fence line has been requested to have a 9' setback from 1st Street NW and the water shut off on the inside on the fence line. Jones wishes to install the fence to keep his kids safe to allow for the most amount of yard. Regas reported the trees on the north property line would be on the inside on the fence allowing for an 8' setback on Northern Ave. NW. Regas reported Northern



BLACKDUCK PLANNING MEETING

WEDNESDAY May 16th, 2018 2:00PM

REGULAR MEETING MINUTES

Ave is a 60' street and Klug reported 1st Street NW is an 80' street. Cease asked if it meets all the requirements. Regas stated to her knowledge yes. Klug asked for confirmation on the water shut off location. Jones stated just inside the fence. Klug stated he would prefer it to be outside in case his department ever needs to turn it off. Jones offered to put a gate on the west fence line for easier access. Benson asked how many feet the fence is from the shut off. Jones stated just inside it about a foot. Klug asked if the fence could be located two feet east of the shut off. Klug stated he would prefer the fence not be right next to the shut off or they can't get on it. Jones offered to install a gate again. Klug stated he believes the shut off is located right at the edge of the right of way. Klug stated the shut offs were installed at the edge of the right away. Commissioner Benson addressed Jones with understanding his need to have more yard, however, if the commission approves his fence location then they will have to allow it on other properties. Cease stated that by zoning nothing can be install in the right of way but needs to be on the line or setback 1-2'. Regas stated the setback for a fence is 2' from the right away. Regas asked Jones if Murray Surveying ever had reviewed the property lines. Jones stated he had not heard back from him. Benson asked if he is ok with moving the fence in 2'. Klug then reported that 1st Street NW is an 80' road and technically the right of way from the back of the curb is in 15' into Jones' property. Jones requested the commission just approve the privacy fence on the south line and he will only install that portion. Jones stated he will cancel the chain-link portion of the fence lines as he does not wish to take that much of his yard away. Klug stated technically Jones isn't losing his yard as that portion of his yard is right of way. Benson stated Jones is losing the use of the yard and that is the most concerning. Jones asked if he can install the fence 1-foot inside where the shut off is then? Jones then asked if he can look at the location on his property as he is having a difficult time understanding what Klug and the commission is referring to. Klug then stated we can measure the road so that Jones can see where the 80' road way right of way is located as he can't be anywhere inside that 80'. Klug explained if the road is 80' and from curb to curb measures 50' then the remaining 30' gets split between either side of the road explaining the 15' on Jones side. Jones stated then that the fence would be 15' inside his property which would take most of his yard away. Klug confirmed. Jones stated to forget the chain-link fence and the rest of the fence, "just forget it all". *Jones left the meeting at this time.* Cease withdrew his motion to approve the fence. Nothing further.

Re-Zoning Application 2018-01 Darrell Gross I-1 to R-1 - Regas reviewed the application for re-zoning of parcels 81.00151.00; 81.00215.01; 81.00215.00 from Industrial to Residential. Regas entertained the Commission ask Gross any needed questions prior to recommending ordering the public hearing. Benson asked Gross to explain the reasoning for the requested re-zoning. Gross reported his is interested in selling the parcels and believes it to be easier if they were listed as residential. Benson stated the re-zoning would not be spot zoning as it is adjacent to the residential area on the south east area of town. Moved by Commissioner Benson and seconded by Commissioner Cease to move forward with the application and order the public hearing on June 20th, 2018. Motion carried.

ADJOURN THE PLANNING MEETING – Moved by Commissioner Cease and seconded by Commissioner Kunkel to adjourn the special planning meeting at 2:44pm. Motion carried unanimously.

Christina Regas, City Administrator

Bob Klug Sr., Chairperson



BLACKDUCK CITY COUNCIL WORK SESSION

MONDAY MAY 21ST, 2018 6:00PM

WORK SESSION MEETING MINUTES

CALL TO ORDER: The City Council of the City of Blackduck met in a scheduled work session at the City Hall at 6:02 p.m. on May 21st, 2018.

Roll Call

Councilors present: Mayor Patch, Councilors Sellon, Kolb, and Molnar

Councilors Absent: none

Staff Present: City Administrator, Christina Regas

Others Present: none

The meeting was called to order at 6:00pm the Pledge of Allegiance was not recited.

Topics covered in the work session were as follows:

1. OLD BUSINESS –

a. Vacant Committee Seats –

- i. City of Blackduck Council Seat – 2018 General Election Filing Period 7/31/18 – 8/14/2018 – Regas reported the election guide has been reviewed for the 2018 election period and the details for filing for candidacies and the vacancies that will be on the ballot in November 2018. Regas further discussed the election training that will be available in July for Regas and other election judges. Regas further stated the new election equipment will have more training.

- b. City Sales & Use Tax Proposal – Mayor Patch confirmed that the request for adopting a City Sales Tax will be on the November ballot. Regas reviewed the timeline discussed at the January work session. Council will adopt the Resolution supporting the adoption prior to the election. Regas reported she will confirm with Beltrami County when the information will need to go to the County to be printed on the ballot. Regas reported that Bob Klug will need to revise the CIP and submit the changes to Brandon Carlson from WSN before the Council adopts it. Nothing further.

2. NEW BUSINESS –

- a. Re-zoning Application – Darrell Gross – Regas reported on a re-zoning application from Darrell Gross that the Planning Commission will be hearing at the June meeting for 3 parcels on Railroad Ave. to be re-zoned from Industrial to Residential. Councilor Kolb asked how a new owner of parcel 81.00215.00 would access the property. Regas suggested either by the platted right of way alley to the east of the lot or if the other parcel to the north is also purchased then thru that parcel. Councilor Kolb further asked if the parcels are re-zoned will the City need to move all the recycling bins. Regas reported not necessarily, however, the City has had many issues with garbage being thrown into the bins and the City Public Works has thought of removing them from the lot. Councilor Kolb asked if there will be an issue with having Industrial zones so close to Residential. Regas reported that at this point Planning didn't believe it would be an issue as there are other Residential lots in close proximity to them. Regas reported that many questions may come out at the public hearing on June 20th and suggested any Councilors attend the hearing if possible. Councilor Kolb asked if the snow that gets stored on the City lot will be an issue. Mayor Patch stated there is a drainage ditch behind the parcel and it all melts to the south. Nothing further.

- b. Child Care Cohort – Regas reported on a training being offered for child care providers coming up in June. Regas stated the Cohort is a result of working with the Blackduck Child Care Coalition and the training is free to those that are interested in attending. Regas stated the training focuses on how a child care provider can build their daycare as a business.



BLACKDUCK CITY COUNCIL WORK SESSION

MONDAY MAY 21ST, 2018 6:00PM

WORK SESSION MEETING MINUTES

- c. Stittsworth Meats Meeting – June 20th, 2018 – Regas shared the timeline of Mychal Stittsworth expansion to Turtle River and how it can benefit local cattle and swine farmers. Regas and the Blackduck Development Corp have been working with Stittsworth to hold a meeting in June so Stittsworth can meet and greet and share the opportunity of his expansion. Regas’ roll includes gathering a list of names to send out invitations and connect with Mychal to arrange the meeting. Nothing further.
- d. 2019 Budget Planning Process – Regas reviewed a couple of points of interest Council will need to consider for the 2019 budget. Regas listed the Health Care Spending account contribution; a potential 2nd full-time position at the Liquor Store; a contribution from either the Liquor revenue or general fund levy to the Golf course to fund the equipment bond; and the need to fill an upcoming vacancy in the administrative assistant/deputy clerk position. Regas suggested the Council begin the conversations in June at the work session. Councilor Kolb asked for an approximate number of funds to transfer to the golf course. Regas didn’t have solid numbers yet but estimated a potential amount of \$10-\$15,000. Regas requested Council allow Regas to begin searching for a suitable replacement for Achen as it can take up to a month to interview and hire someone. Regas asked the Council for permission to hire a person for a part time position to train side-by-side with Achen with the intention to fill in when Achen leaves her full-time position. Council found the idea beneficial as the City can be quite busy in the summer months. Nothing further.
- e. Vacation Request – Regas reported vacation days she will be off in May and July. Nothing further.
- f. Memorial Service – Cindy Swedberg – Regas and Mayor Patch asked for the Council to contribute to pay for flowers for Cindy Swedberg’s funeral. Councilor Molnar stated she would help. Mayor Patch highlighted some of the volunteer organizations besides the Blackduck Chamber that Swedberg has been a part of. Regas suggested any an all council members attend the spaghetti feed in June.
- g. 2017 Audit Presentation Miller McDonald – Findings – Regas highlighted the findings Miller McDonald will bring to the Council at the June meeting from the 2017 Financial Audit.
- h. Other – Mayor Patch reported that Matt McFarland from HRDC has resigned his position. Patch reminded the Council that McFarland was the point of contact for the City for the housing rehab dollars.
- i. Other – Mayor Patch reported a presentation he attended recently from Michael Meuers in Bemidji and his efforts to bring more inclusion to communities and the local tribes. Meuers “works in a variety of ways to bridge Indian and non-Indian culture of north-central Minnesota by encouraging learning, celebration of diversity and to open a dialogue that would begin conversation”. Meuers was instrumental in the City of Bemidji to include the signs on local businesses in Ojibwe. Patch suggested the Council and the School Board and local business owners invite Meuers up to the Blackduck Community. Mayor Patch was encouraged to work with Meuers to create a meeting date for the Blackduck Community. Nothing further.
- j. Pipeline 3 Approved – Councilor Sellon reported that Line 3 was approved and Mayor Patch stated the Blackduck Police Department is working on training with Beltrami County Sheriff’s Office in preparation for any large event that may happen. Nothing further.

3. ADJOURN – Council adjourned their work session at 7:26pm.

Christina Regas, City Administrator

Rudy Patch, Mayor

June 4th, 2018

FUND	Wells Fargo Deerwood Checking BEGINNING BALANCE	Bill Report through 05/31/2018	Wells Fargo Deerwood Checking ENDING BALANCE	Deerwood First Preferred Savings BEGINNING BALANCE	Deerwood Bill Report through 5/31/2018	Deerwood Preferred Savings ENDING BALANCE	Total Balance of all Accounts
GENERAL	\$102,610.38	\$25,755.69	\$76,854.69	\$80,097.45	\$0.00	\$80,097.45	
POLICE RESTRICTED CASH	\$29,215.21	\$0.00	\$29,215.21	\$0.00	\$0.00	\$0.00	
CEMETERY	\$1,692.00	\$412.90	\$1,279.10	\$1,367.86	\$0.00	\$1,367.86	
PERPETUAL CARE	\$6,865.64	\$0.00	\$6,865.64	\$53,168.01	\$0.00	\$53,168.01	
SEWER MAINTENANCE	(\$0.01)	\$0.00	(\$0.01)	\$58,347.23	\$0.00	\$58,347.23	
SEWER REPLACE.	\$0.00	\$0.00	\$0.00	\$8,566.72	\$0.00	\$8,566.72	
SCDP LOAN	(\$860.83)	\$0.00	(\$860.83)	\$270,797.40	\$4,377.15	\$266,420.25	
FIRE DEPT RESERVE(TruckFund	\$0.00	\$0.00	\$0.00	\$164,191.06	\$0.00	\$164,191.06	
PINE TREE PARK	\$61,475.58	\$2,794.59	\$58,680.99	\$0.00	\$0.00	\$0.00	
WATER SINKING FUND	\$0.01	\$0.00	\$0.01	\$104,627.92	\$0.00	\$104,627.92	
PUBLIC WORKS RESERVE FUN	\$0.00	\$0.00	\$0.00	\$17,169.03	\$0.00	\$17,169.03	
Fire Dept Special Equip Fund	\$151,991.37	\$0.00	\$151,991.37	\$25,848.65	\$0.00	\$25,848.65	
2006 GO BOND	\$21,036.45	\$0.00	\$21,036.45	\$33,368.75	\$0.00	\$33,368.75	
2009A Refunding Bond	\$33,423.41	\$2,188.13	\$31,235.28	\$13,942.37	\$0.00	\$13,942.37	
2011 Industrial Lane IntraLoan	\$7,665.37	\$0.00	\$7,665.37	\$0.00	\$0.00	\$0.00	
2012A Refund Bond Golf/Water	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
2014A Disposal System Loan	\$15,056.16	\$0.00	\$15,056.16	\$0.00	\$0.00	\$0.00	
2017A Disposal System Project/Sun	\$145,983.48	\$0.00	\$145,983.48	\$0.00	\$0.00	\$0.00	
2017A Disposal Sys Loan	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
2017 PFA Debt Sys Bond Debt Serv	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
TAX INCREMENT FINANCING	\$67,858.68	\$0.00	\$67,858.68	\$0.00	\$0.00	\$0.00	
WATER FUND	\$219,831.54	\$3,010.74	\$216,820.80	\$0.00	\$0.00	\$0.00	
SEWER FUND	\$105,024.86	\$4,752.50	\$100,272.36	(\$1,283.00)	\$0.00	(\$1,283.00)	
LIQUOR FUND	\$229,416.31	\$41,080.99	\$188,335.32	\$0.00	\$0.00	\$0.00	
LIQUOR RENT FUND	\$19,569.07	\$0.00	\$19,569.07	\$0.00	\$0.00	\$0.00	
GOLF COURSE	(\$58,078.64)	\$9,761.27	(\$67,839.91)	\$0.00	\$0.00	\$0.00	
WATER PROJECT FUND	\$20,305.88	\$0.00	\$20,305.88	(\$1,389.00)	\$0.00	(\$1,389.00)	
SEWER PROJECT FUND	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Total:	\$1,180,081.92	\$89,756.81	\$1,090,325.11	\$828,820.45	\$4,377.15	\$824,443.30	\$1,914,768.41

Transfer Recommended:

Fund Transfer from: Fund transfer to: Amount of Transfer:

2018 Bond Payments: Principal: Interest: Fees: Total:

CITY OF BLACKDUCK

Monthly Bills

May 2018

Check Name	Amount		
Fund 101 GENERAL FUND		LEAGUE OF MINNESOTA CITIES	\$3,575.20
AMERIPRIDE LINEN & APPAREL	\$54.99	PAUL BUNYAN COMMUNICATIONS	\$33.88
BELTRAMI ELECTRIC COOP	\$2,151.08	QUILL CORPORATION	\$32.48
BOB LOWTH FORD INC	\$198.45	Fund 602 SEWER FUND	\$4,752.50
FORUM COMMUNICATIONS CO	\$31.92	Fund 609 MUNICIPAL LIQUOR FUND	
GRANGRUTH, JACE	\$327.00	AMERIPRIDE LINEN & APPAREL	\$163.92
LEAGUE OF MINNESOTA CITIES	\$17,700.90	BELTRAMI ELECTRIC COOP	\$1,595.01
MERLES STEAM CLEAN	\$637.00	BEMIDJI COCA-COLA	\$575.55
MN ASSOCIATION OF SMALL CITIES	\$480.00	BERNATELLOS	\$456.00
NORTH STAR ELECTRIC	\$1,264.65	Bernick Companies	\$6,972.25
PAUL BUNYAN COMMUNICATIONS	\$413.23	Breakthru Beverage	\$727.71
QUILL CORPORATION	\$239.42	DICK DISTRIBUTING	\$5,122.20
REGAS, CHRISTINA	\$117.00	HEGGIES PIZZA LLC	\$418.50
TOWNSHIP AND RANGE, LLC	\$1,965.00	HENRY'S	\$1,954.23
VERIZON WIRELESS	\$175.05	JIM DANDY SNACK FOOD CO.	\$69.00
Fund 101 GENERAL FUND	\$25,755.69	JOHNSON BROTHERS LIQUOR CO.	\$2,395.30
Fund 201 CEMETERY FUND		LEAGUE OF MINNESOTA CITIES	\$9,246.10
LEAGUE OF MINNESOTA CITIES	\$412.90	MIKINNON CO., INC	\$4,778.65
Fund 201 CEMETERY FUND	\$412.90	NEI BOTTLING INC	\$576.97
Fund 207 SCDP REVOLVING LOAN FUND		NORTHWOODS ICE, INC	\$692.40
BELTRAMI ELECTRIC COOP	\$89.15	OLD DUTCH	\$294.52
DRAHOS KIESON & CHRISTOPHER	\$1,353.00	PARAMOUNT ADVERTISING	\$230.00
HRDC	\$40.00	PAUL BUNYAN COMMUNICATIONS	\$298.61
LMCIT INSURANCE TRUST	\$2,895.00	Phillips Wine and Spirits	\$2,620.08
Fund 207 SCDP REVOLVING LOAN F	\$4,377.15	QUILL CORPORATION	\$82.53
Fund 209 PINE TREE PARK FUND		Southern Glazer's of MN	\$1,273.05
BELTRAMI ELECTRIC COOP	\$180.39	TOTAL TAP SERVICES	\$64.00
LEAGUE OF MINNESOTA CITIES	\$2,554.20	TRI COUNTY DIRT DEVILS	\$55.00
MN DEPT OF TRANSPORTATION	\$60.00	US FOODS	\$208.28
Fund 209 PINE TREE PARK FUND	\$2,794.59	VINOPIA INC	\$211.13
Fund 309 2009A GO Refunding Bonds		Fund 609 MUNICIPAL LIQUOR FUN	\$41,080.99
BOND TRUST SERVICES CORP.	\$2,188.13	Fund 613 GOLF COURSE	
Fund 309 2009A GO Refunding Bon	\$2,188.13	AMERIPRIDE LINEN & APPAREL	\$97.79
Fund 601 WATER FUND		BELTRAMI ELECTRIC COOP	\$460.30
BELTRAMI ELECTRIC COOP	\$706.67	BEMIDJI COCA-COLA	\$63.40
LEAGUE OF MINNESOTA CITIES	\$1,822.60	Bernick Companies	\$92.50
MN DEPT OF HEALTH	\$449.00	DICK DISTRIBUTING	\$258.10
QUILL CORPORATION	\$32.47	HENRY'S	\$304.98
Fund 601 WATER FUND	\$3,010.74	LEAGUE OF MINNESOTA CITIES	\$5,765.10
Fund 602 SEWER FUND		MERLES STEAM CLEAN	\$680.00
BELTRAMI ELECTRIC COOP	\$961.06	MIKINNON CO., INC	\$185.65
L & M SUPPLY INC	\$149.88	NEI BOTTLING INC	\$739.35
		PAUL BUNYAN COMMUNICATIONS	\$132.47

Check Name	Amount
Randy Pauly	\$180.00
TURFWERKS	\$801.63
Fund 613 GOLF COURSE	\$9,761.27
	\$94,133.96

LG216 Worksheet for Calculating Lawful Gambling Monthly Rent

Organization Name Blackduck Fire Relief Site Name MUNICIPAL LIQUOR STORE	License Number 01944 Site Number 001 Bar op
---	---

(Use one worksheet for each site. If lease changes, use new worksheet.)	Booth Operation Rent 1 List the % to be paid for paper pull-tabs, tipboards, paddletickets, electronic pull-tabs and electronic linked bingo conducted by the organization's employees <u>1</u> 0.00 % Bar Operation Rent 2 List the % to be paid for paper pull-tabs, tipboards, and paddletickets conducted by the lessor or lessor's employees <u>2</u> 20.00 % 3 List the % to be paid for electronic pull-tabs and electronic linked bingo conduct by the lessor or lessor's employees <u>3</u> 15.00 %
---	---

A	B1	B2	C1	C2	D	E1	E2	F	G	H
Month and Year	Booth Operation		Bar Operation		Rent Limit	Bar Operation Electronic Games		Total Rent	Bar Operation	
	Multiply the total of this month's net receipts from paper pull-tabs, electronic pull-tabs, electronic linked bingo, tipboards, and paddletickets by the amount in Box 1.		Multiply the total of this month's net receipts from paper pull-tabs, tipboards, and paddletickets by the amount in Box 2.		If an amount was entered, in Col B, enter the sum of Col B and C up to a max of \$1750. If Col B is blank, enter Col C.	Multiply the total of this month's net receipts from electronic pull-tabs and electronic linked bingo by the amount in Box 3.		Add Columns D and E Report amount on Schedule A, line 22h	Enter cash short for games sold from bar-op. Report amount on Sched A, line 22m. in month the Col H is paid	Subtract Col G from Col F. This is the amount of rent to be paid. The amount is not reported on Sched A.
5 / 2017	0.00	0.00	2634.00	526.80	526.80	372.15	55.82	582.62	3.00	579.62
6 / 2017	0.00	0.00	2857.00	571.40	571.40	1718.55	257.78	829.18	0.00	829.18
7 / 2017	0.00	0.00	3044.00	608.80	608.80	1001.95	150.29	759.09	16.00	743.09
8 / 2017	0.00	0.00	2284.00	456.80	456.80	1076.25	161.44	618.24	18.00	600.24
9 / 2017	0.00	0.00	2592.00	518.40	518.40	714.90	107.23	625.63	5.00	620.63
10 / 2017	0.00	0.00	2119.00	423.80	423.80	0.00	0.00	423.80	72.00	351.80
11 / 2017	0.00	0.00	4432.00	886.40	886.40	131.85	19.78	906.18	0.00	906.18
12 / 2017	0.00	0.00	1871.00	374.20	374.20	425.65	63.85	438.05	56.00	382.05
1 / 2018	0.00	0.00	1551.00	310.20	310.20	834.85	125.23	435.43	12.00	423.43
2 / 2018	0.00	0.00	4792.00	958.40	958.40	413.15	61.97	1020.37	37.00	983.37
3 / 2018	0.00	0.00	2191.00	438.20	438.20	926.45	138.97	577.17	45.25	531.92
4 / 2018	0.00	0.00	4369.00	873.80	873.80	0.00	0.00	873.80	23.00	850.80

1 This amount may not exceed 10%
 2 Enter no more than 10% if paper or electronic pull-tabs, tipboards, paddletickets (other than paddiewheel without a table once weekly), or electronic linked bingo games are conducted by the organization's employees. Otherwise, enter no more than 20%.
 3 This amount may not exceed 15%.
 4 Electronic pull-tab rent is based on the receipts incurred during the month, and not on when each pull-tab deal is closed.
 5 If the amount in Column H is negative, contact your compliance specialist.

Revolving Loan Funds used for Foreclosure

Date:	Attorney:	Utility:	Amount	Other:	Amount
	\$585.00	Beltrami Electric Coop Dec. 2017	\$94.20	Bonded Lock & alarm	\$243.87
	\$1,588.50	Blackduck Co-op	\$782.95	Northwoods Lumber	\$1.99
	\$195.00	City of Blackduck(utilities)	\$167.42	Beltrami County Auditor	\$7,098.45
	\$175.50	Beltrami Electric Coop Jan.2018	\$107.36	A&E Produce	\$1,000.00
	\$117.00	Blackduck Co-op 01/06/2018	\$841.31		
	\$175.50	Beltrami Electric Coop Feb. 2018	\$103.18		
12/2/2017	\$1,531.50	Beltrami Electric Coop March 2018	\$91.25		
1/11/2018	\$667.00	Beltrami Electric Coop April 2018	\$99.91		
2/13/2018	\$195.00				
<hr/>					
Totals:	\$5,230.00		\$2,287.58		\$8,344.31
<hr/>					
		Totals for all categories:		\$15,861.89	
		Total of RLF outstanding balance:		\$17,163.80	
		Total through 4/1/18:		\$33,025.69	

Requesting Final Council Approval for the Following

Requesting Final Approval of New Part Time & Seasonal Hires:

Name:	Position:	Date of Hire:	Wage:
Johnathan Smid	Seasonal Golf Club House	5/17/2018	\$9.65
Renee Hassel	Part Time Bartender	5/24/2018	\$9.65

Selection Process

The selection process will be a cooperative effort between the City Administrator or designee, and the Personnel Committee and the appropriate department head, subject to final hiring approval of the City Council. Any, all or none of the candidates may be interviewed.

The process for hiring seasonal and temporary employees may be delegated to the appropriated department head with each hire subject to final City Council approval. Except where prohibited by law, seasonal and temporary employees may be terminated by the department head at any time, subject to City Council approval.



Minnesota Department of Public Safety
 Alcohol and Gambling Enforcement Division
 445 Minnesota Street, Suite 222, St. Paul, MN 55101
 651-201-7500 Fax 651-297-5259 TTY 651-282-6555
**APPLICATION AND PERMIT FOR A 1 DAY
 TO 4 DAY TEMPORARY ON-SALE LIQUOR LICENSE**

Name of organization		Date organized	Tax exempt number
Blackduck American Legion		January 1 1937	41-6037782
Address	City	State	Zip Code
PO Box 553	Blackduck	Minnesota	56630
Name of person making application		Business phone	Home phone
Christina Regas		218-835-4810	218-368-9394
Date(s) of event	Type of organization		
07/14/2018	<input checked="" type="checkbox"/> Club <input type="checkbox"/> Charitable <input type="checkbox"/> Religious <input type="checkbox"/> Other non-profit		
Organization officer's name	City	State	Zip Code
Lee Cohe	Blackduck	Minnesota	56630
Organization officer's name	City	State	Zip Code
		Minnesota	
Organization officer's name	City	State	Zip Code
		Minnesota	
Organization officer's name	City	State	Zip Code
		Minnesota	

Location where permit will be used. If an outdoor area, describe.
 Blackduck Wayside Rest Park Gazebo

If the applicant will contract for intoxicating liquor service give the name and address of the liquor license providing the service.
 n/a

If the applicant will carry liquor liability insurance please provide the carrier's name and amount of coverage.
 n/a

APPROVAL

APPLICATION MUST BE APPROVED BY CITY OR COUNTY BEFORE SUBMITTING TO ALCOHOL AND GAMBLING ENFORCEMENT

City of Blackduck

 City or County approving the license

25.00

 Fee Amount

5/4/2018

 Date Fee Paid

5/4/2018

 Date Approved

7/14/2018

 Permit Date

christina.regas@blackduckmn.com

 City or County E-mail Address

218-835-4810

 City or County Phone Number



 Signature City Clerk or County Official

Approved Director Alcohol and Gambling Enforcement

CLERKS NOTICE: Submit this form to Alcohol and Gambling Enforcement Division 30 days prior to event.

**ONE SUBMISSION PER EMAIL, APPLICATION ONLY.
 PLEASE PROVIDE A VALID E-MAIL ADDRESS FOR THE CITY/COUNTY AS ALL TEMPORARY PERMIT APPROVALS WILL BE SENT
 BACK VIA EMAIL. E-MAIL THE APPLICATION SIGNED BY CITY/COUNTY TO AGE.TEMPORARYAPPLICATION@STATE.MN.US**



CITY OF BLACKDUCK

On-Sale Intoxicating, 3.2 Beer, Club, Off-Sale 3.2 Malt Liquor, On-Sale Wine Liquor License Application

City Code Section 1120.25—1120.32

Date of Application: 5-4-2018 Licensing Period: 7-14-18

Blackduck American Ligion
LICENSEE NAME (Corp, Partnership, Individual)

5-4-2018
DATE OF APPLICATION

PO Box 553
LICENSEE ADDRESS (Street, City, State, Zip)

LENGTH OF TIME AT THIS ADDRESS

PO Box 553
BUSINESS ADDRESS

218-243-2597
BUSINESS PHONE HOME PHONE

BUSINESS PROPERTY LEGAL DESCRIPTION

41-6037782
FEDERAL ID# STATE ID # 6790877

Type of License Applying for: On Sale Intoxicating, On Sale 3.2 Beer or Wine, Off Sale 3.2 Beer, On Sale Club, Consumption & Display License, Temporary On Sale

BUSINESS IS A: Hotel, Restaurant, Bowling Center, Club/Veteran Organization
IF BUSINESS IS A RESTAURANT, state the restaurant seating capacity
IF BUSINESS IS A CLUB: state number of members 122
Years at business location
IF BUSINESS IS A HOTEL: state number of rooms
Restaurant seating capacity
IS THIS APPLICATION A: New, Renewal, Transfer

IF THE APPLICANT IS A PARTNERSHIP, LLP, CORPORATION, OR LLC, COMPLETE THE FOLLOWING FOR EACH PARTNER/OFFICER:

Table with 5 columns: Full Name (First Middle Last), Title, Social Security #, Date of Birth, Address—Street/City/State/Zip. Three rows for partner/officer information.

\$25.00

**SPECIAL EVENT/COMMUNITY
FESTIVAL LIQUOR LICENSE**

No. 2018-01

License is hereby Granted to

Blackduck American Legion

TO SELL AT RETAIL

On-sale intoxicating liquor

FOR CONSUMPTION ON THE PREMISES LOCATED AT

City of Blackduck Wayside Rest Park

In the City of Blackduck, County of Beltrami, State of Minnesota
for the period of one day commencing July 14th, 2018 and ending at midnight.

This license is granted pursuant to application and payment of fee therefore and is subject to all the provisions and conditions of the laws of the state and of the federal government pertaining to such sale, and is revocable for violation thereof. Not transferable.

WITNESS THE GOVERNING BODY of the CITY OF BLACKDUCK and the seal thereof this 4TH day of June 2018
The Council of the City of Blackduck

Attest:
Administrator

by _____
Mayor

CITY OF BLACKDUCK APPLICATION FOR:



SANITARY SEWER DISCHARGE FOR HOLDING TANK WASTE
ADOPTED JUNE 5TH, 2017

MAY 18 2018

MAY 18 2018
CK 2018

Date Received:

PRINT all information on this application.

PERMIT NUMBER: 2018-02

- 1. Business Name: TJ Nelson Plumbing & Heating
- 2. Phone Day: (218) 835-7704 Night: (218) 766-2063
- 3. Address: 18994 Hines Rd NE City: Hines State: MIN Zip: 56647
- 4. E-mail address jphi@paulbenjamin.net
- 5. Minnesota Pollution Control A (MPCA) Permit Number: C8029 Permit Expires: 8/1/18
3961
- 6. Business FEIN: 82-1004290

I hereby declare that I am the owner, or authorized agent of the owner, of the above described business and I agree to keep adequate records of each tank load disposed of at the City of Blackduck Wastewater Facility Stabilization Ponds indicating origin, type and volume of waste. I further agree to only dispose of acceptable waste according to the Sanitary Sewer Discharge Policy for Holding Tank Waste. I further understand that the foregoing information contained on this application is a true and correct statement of my intentions. All provisions of laws and ordinances governing this type of work will be complied with whether specified herein or not. The granting of a permit does not presume to give authority to violate or cancel the provisions of any other state or local law regulating construction or the performance of construction. I have also read and understand the instructions and information listed on the policy on the backside of this form.

7. Signed by Applicant: [Signature] Date: 5/18/2018

***** (The following to be completed by the City) *****

Sanitary Sewer Permit Approved By: [Signature] Date: 5/18/18 Permit Fee: \$100.00
 Sanitary Sewer Permit Denied for _____ Date: _____
 Public Works Supervisor: _____ Date: _____

MINNESOTA INVESTMENT FUND STATE FUNDED RLF REQUEST FOR ONE-TIME EXCEPTION

The 2017 Legislature passed legislation that allows cities, counties and townships that have revolving loan funds (RLFs) seeded by state-funded Minnesota Investment Fund loan repayments may use 80 percent of the uncommitted balance for any lawful purpose if 20 percent of the balance is returned to the State of Minnesota. To utilize this one-time exception, this form must be completed and submitted to DEED by June 1, 2018; once DEED approves the form, the 80 percent should be moved from the RLF account and the 20 percent should be transferred to DEED.

Please complete this form including the requested documentation. All forms must be signed by an authorized local official.

Local Government (City, county or town)	City of Blackduck	Request Date	6/1/2018
Address	PO Box 380 Blackduck, MN 56630	Uncommitted State Funded MIF RLF Cash Balance as of Request Date	\$290,824.30
Contact Phone	218-835-4803	20% to be returned to the State General Fund	\$58,164.86
Contact Email	christina.regas@blackduckmn.com	80% to be utilized as general purpose aid.	\$232,659.44

* Request must be received by June 1st, 2018 to allow for processing and payment submittal.

Required Documentation

A copy of the account statement verifying the account balance as of the request date must be submitted with this form. Please note: page two of this application must be signed. A DEED Loan Officer may contact you to verify balance information for your account and review MIF award history.

Submittal Instructions

This form and the required bank account verification document(s) must be emailed to DEED.Loan@state.mn.us with "Revolving Loan Fund" on the subject line. If you have questions while completing the form please contact Lisa Dargis, DEED Loan Officer, Office of Business



EMPLOYMENT AND ECONOMIC DEVELOPMENT

Finance at 651-259-7446 or lisa.dargis@state.mn.us or visit the Frequently Asked Questions tab located at <https://mn.gov/deed/business/financing-business/deed-programs/mif/mif-exception/>.

Certification

I hereby certify that the balance information included here is from state funded Minnesota Investment Fund grant repayments only. I certify that I have not included any funds from other sources. I certify that I have complied with all local requirements for submittal of this request and will utilize the approved funds as a general purpose aid for lawful expenditures, adhering to any and all local, state or federal requirements as applicable.

I have read the above statements and I agree to supply the information requested to the MN Department of Employment and Economic Development, Office of Business Finance with full knowledge of the information provided herein. I certify that all information is true and correct to the best of my knowledge.

Certified by:

Christina A. Regas City Administrator
Local Government Authorized Official Printed Name & Title

Local Government Authorized Official Signature

06/01/2018
Date

Exception Criteria – Laws of MN 2017, Chapter 94, Article 6, Section 24

ONETIME EXCEPTION TO RESTRICTIONS ON USE OF MINNESOTA INVESTMENT FUND LOCAL GOVERNMENT LOAN REPAYMENT FUNDS.

(a) Notwithstanding Minnesota Statutes, section 116J.8731, a home rule charter or statutory city, county, or town that has uncommitted money received from repayment of funds awarded under Minnesota Statutes, section 116J.8731, may choose to transfer 20 percent of the balance of that money to the state general fund before June 30, 2018. Any local entity that does so may then use the remaining 80 percent of the uncommitted money as a general purpose aid for any lawful expenditure.

(b) By February 15, 2019, a home rule charter or statutory city, county, or town that exercises the option under paragraph (a) shall submit to the chairs of the legislative committees with jurisdiction over economic development policy and finance an accounting and explanation of the use and distribution of the funds.

Request approved by:

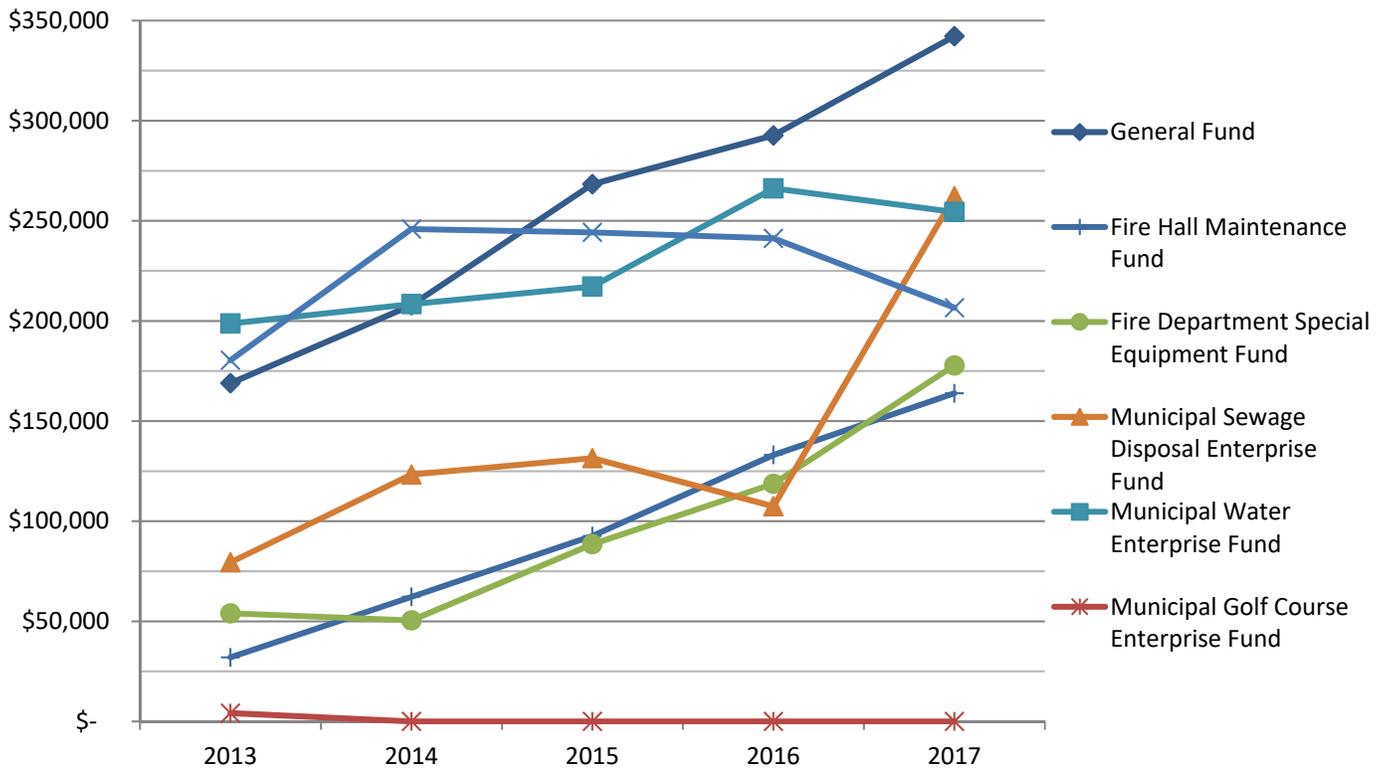
DEED Loan Officer

Date

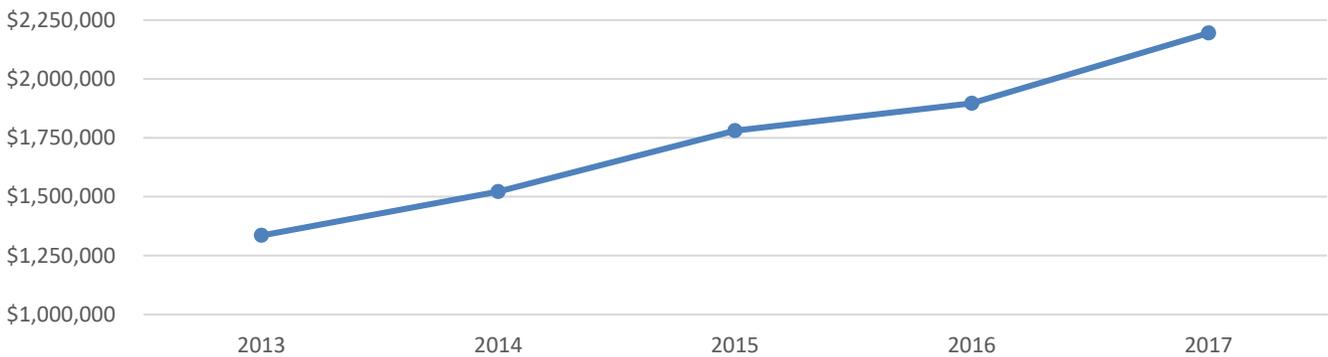
City of Blackduck, Minnesota
Cash by Fund
December 31, 2017

	2013	2014	2015	2016	2017
General Fund	\$ 168,917	\$ 207,858	\$ 268,309	\$ 292,677	\$ 342,203
Fire Hall Maintenance Fund	32,003	62,219	92,607	133,112	163,886
Fire Department Special Equipment Fund	54,014	50,445	88,516	118,655	177,792
Municipal Water Enterprise Fund	198,723	208,432	217,193	266,220	254,400
Municipal Sewage Disposal Enterprise Fund	79,450	123,280	131,474	107,421	262,282
Municipal Golf Course Enterprise Fund	4,144	-	-	-	-
Municipal Liquor Store Enterprise Fund	180,370	245,911	244,255	241,268	206,631
	<u>\$ 717,621</u>	<u>\$ 898,145</u>	<u>\$ 1,042,354</u>	<u>\$ 1,159,353</u>	<u>\$ 1,407,194</u>

Total Cash and Investments \$ 1,335,078 \$ 1,521,117 \$ 1,780,310 \$ 1,896,252 \$ 2,194,876



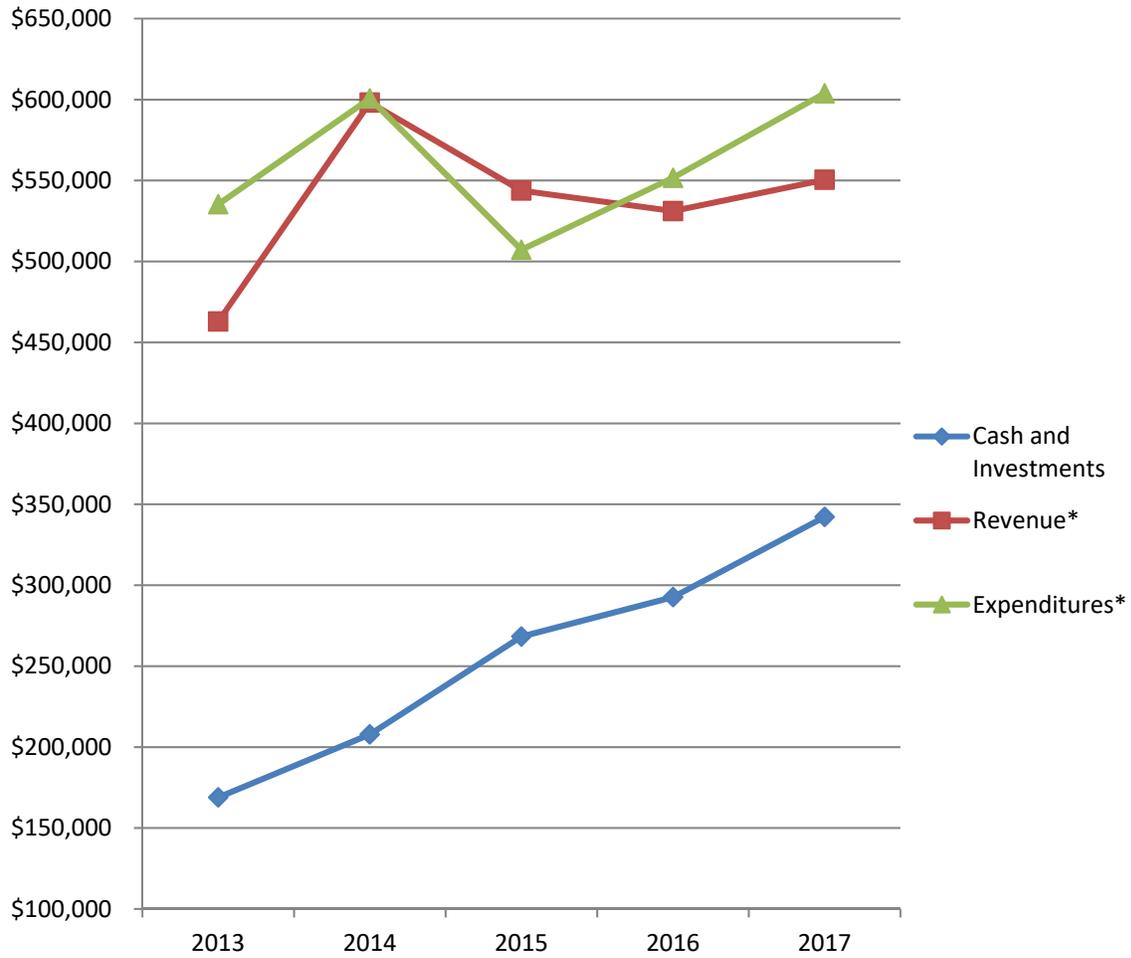
Total Cash and Investments



City of Blackduck, Minnesota
 General Fund
 December 31, 2017

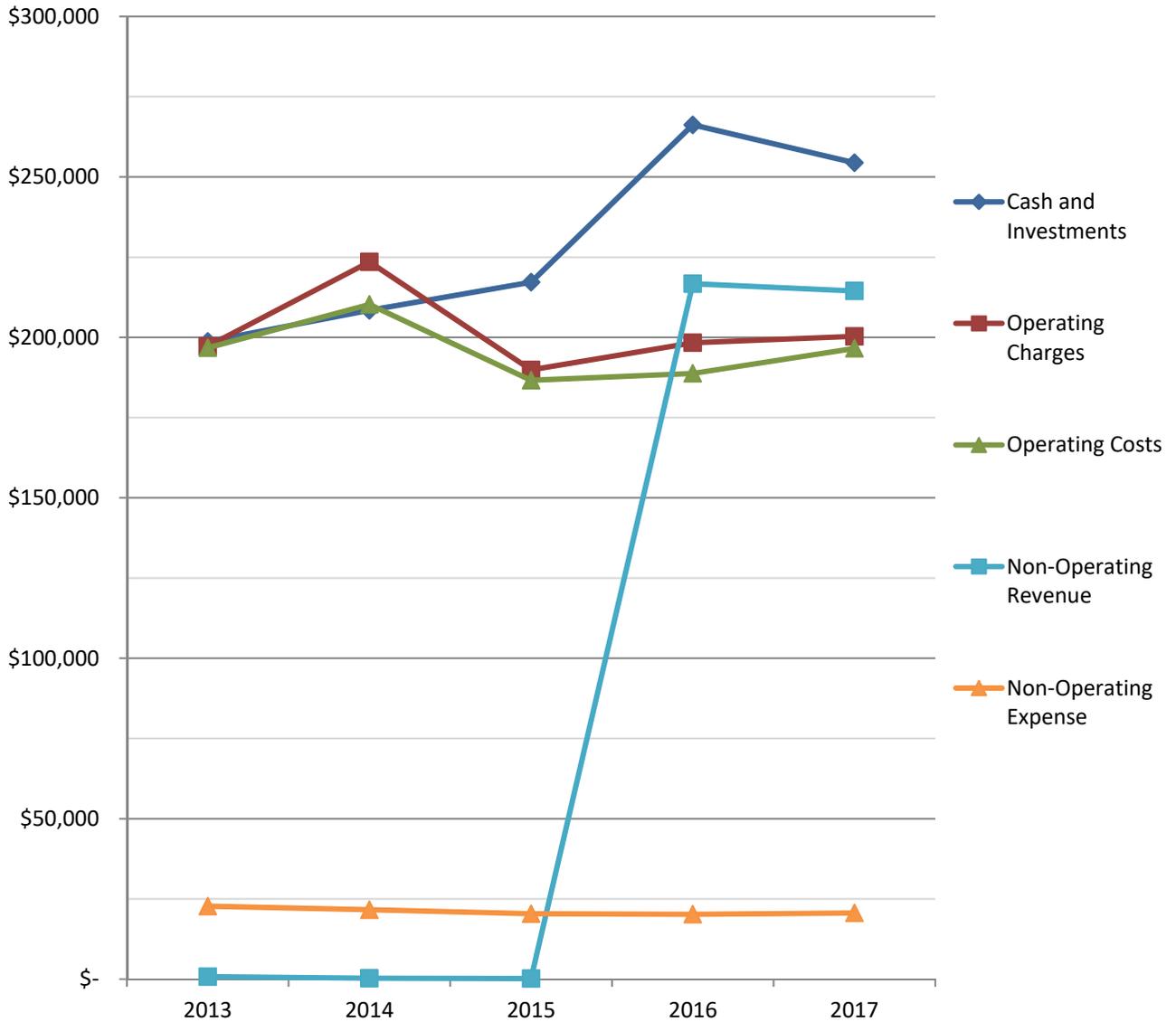
	2013	2014	2015	2016	2017
Cash and Investments	\$ 168,917	\$ 207,858	\$ 268,309	\$ 292,677	\$ 342,203
Revenue*	462,878	598,145	543,766	531,124	550,430
Expenditures*	535,328	600,672	507,261	551,682	603,860

* - Other Financing Sources and Uses are excluded from the totals.



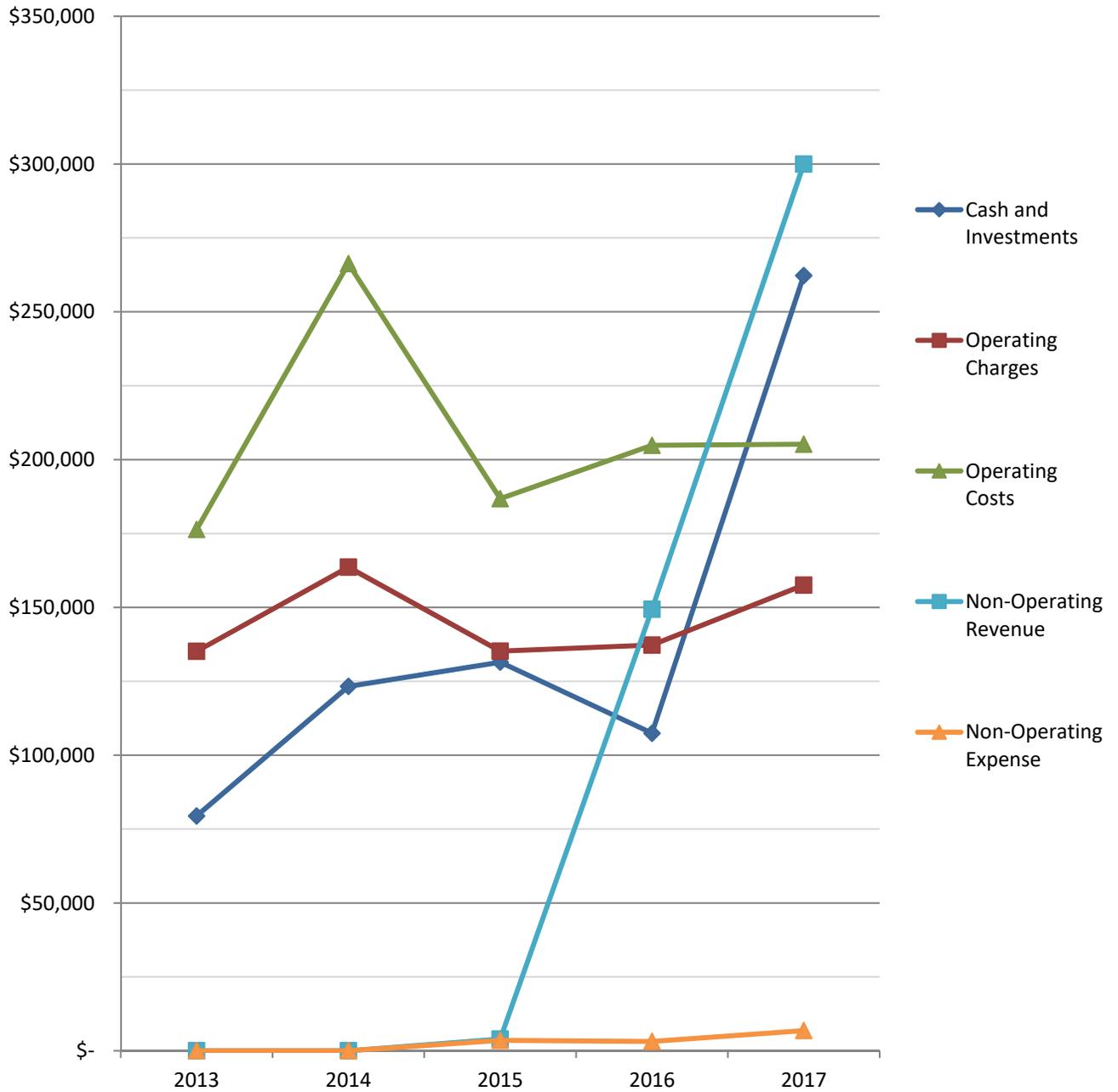
City of Blackduck, Minnesota
Municipal Water Enterprise Fund
December 31, 2017

	2013	2014	2015	2016	2017
Cash and Investments	\$ 198,723	\$ 208,432	\$ 217,193	\$ 266,220	\$ 254,400
Operating Charges	197,211	223,516	189,856	198,324	200,307
Operating Costs	196,748	210,254	186,627	188,759	196,567
Non-Operating Revenue	787	295	186	216,705	214,448
Non-Operating Expense	22,743	21,635	20,374	20,215	20,621



City of Blackduck, Minnesota
Municipal Sewage Disposal Enterprise Fund
December 31, 2017

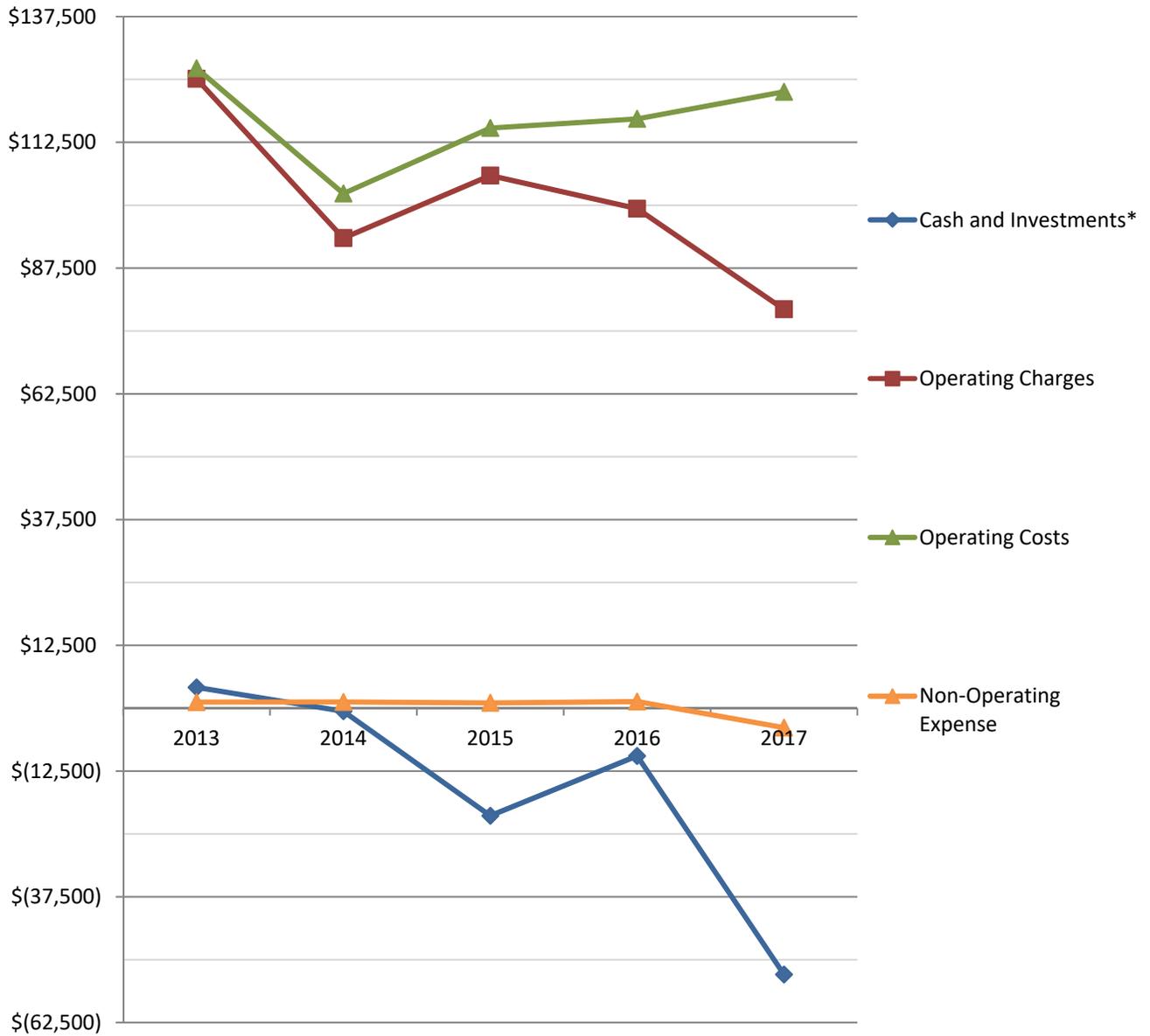
	2013	2014	2015	2016	2017
Cash and Investments	\$ 79,450	\$ 123,280	\$ 131,474	\$ 107,421	\$ 262,282
Operating Charges	135,143	163,597	135,208	137,252	157,536
Operating Costs	176,364	266,293	186,785	204,829	205,182
Non-Operating Revenue	-	-	3,969	149,377	299,987
Non-Operating Expense	-	-	3,511	3,168	6,823



City of Blackduck, Minnesota
Municipal Golf Course Enterprise Fund
December 31, 2017

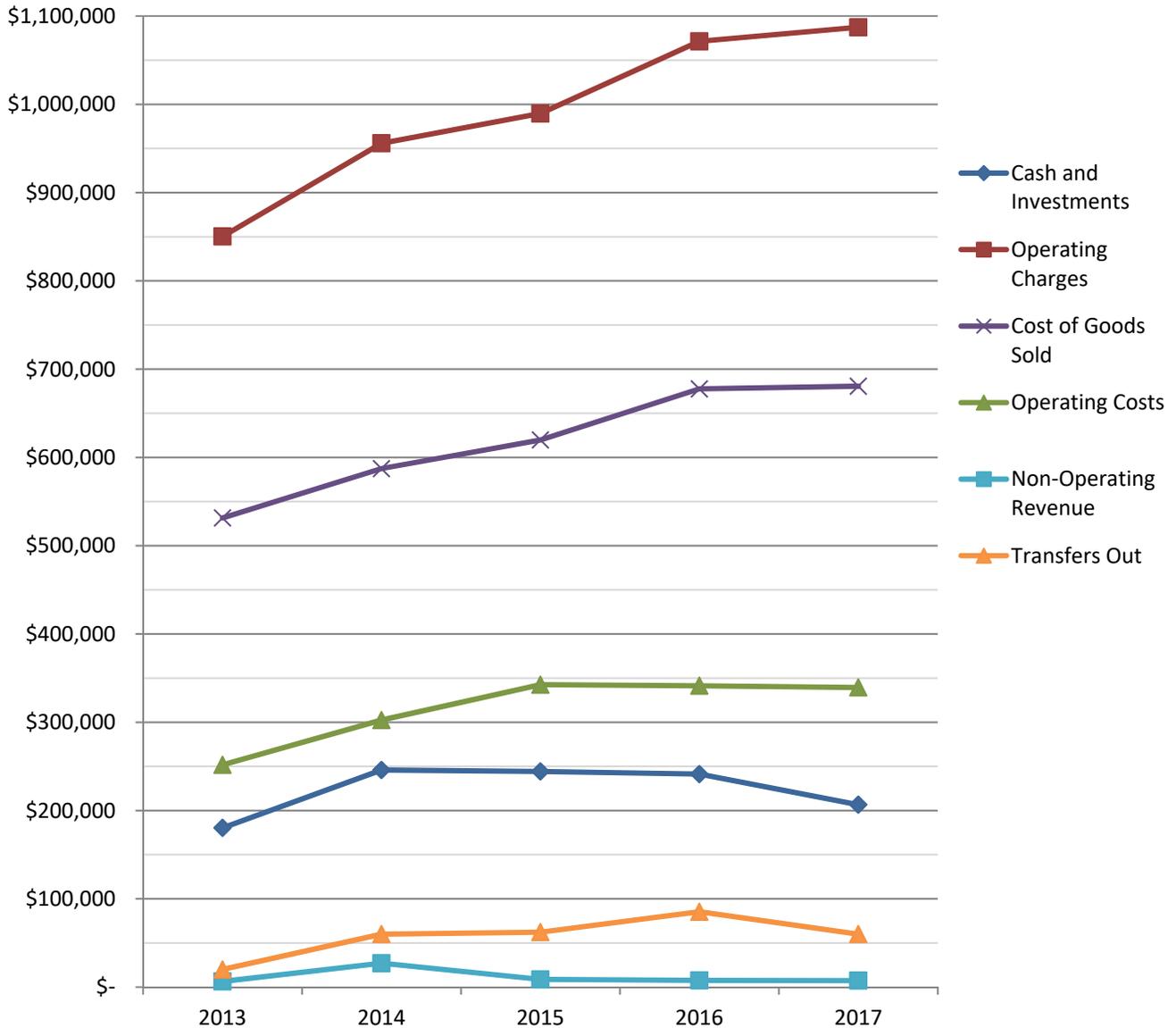
	2013	2014	2015	2016	2017
Cash and Investments*	\$ 4,144	\$ (599)	\$ (21,381)	\$ (9,493)	\$ (52,936)
Operating Charges	125,128	93,469	105,901	99,313	79,310
Operating Costs	127,220	102,322	115,346	117,170	122,549
Non-Operating Expense	1,206	1,241	1,055	1,313	(3,873)

* - Negative = Due to Other Funds



City of Blackduck, Minnesota
Municipal Liquor Store Enterprise Fund
December 31, 2017

	2013	2014	2015	2016	2017
Cash and Investments	\$ 180,370	\$ 245,911	\$ 244,255	\$ 241,268	\$ 206,631
Operating Charges	850,312	955,873	989,650	1,071,347	1,087,340
Cost of Goods Sold	531,493	587,334	619,771	677,637	680,671
Operating Costs	251,709	302,493	342,535	341,334	339,425
Non-Operating Revenue	6,419	27,039	8,700	7,595	7,296
Transfers Out	20,000	60,000	62,200	85,345	60,000



City of Blackduck, Minnesota
 Fund Balance/Net Position
 December 31, 2017

	General Fund	Other Governmental Funds	Municipal Water Enterprise Fund	Municipal Sewage Disposal Enterprise Fund	Municipal Golf Course Enterprise Fund	Municipal Liquor Store Enterprise Fund
Unrestricted Fund Balance/Net Position	\$ 319,381	\$ 577,532	\$ 206,640	\$ 224,209	\$ (74,747)	\$ 206,793
Current Year Operating Expenditures*	551,331	25,039	196,567	205,182	122,549	339,425
Number of Months	7.0	276.8	12.6	13.1	(7.3)	7.3

**

* - Capital Outlay and Debt Service expenditures are excluded from the total.

- State recommends 3-5 months in unrestricted fund balance/net position.

** - Top 5 Other Governmental Funds Unrestricted Fund Balance

Sewer Maintenance Sinking Fund	\$ 58,239
Fire Hall Maintenance Fund	163,886
Pine Tree Park Fund	50,450
Water Sinking Fund	104,433
Fire Department Special Equipment Fund	177,792
	<u>\$ 554,800</u>

CITY OF BLACKDUCK, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017

DRAFT

CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2017

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CITY OF BLACKDUCK, MINNESOTA
DECEMBER 31, 2017

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CITY OF BLACKDUCK, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2017
(Unaudited)

		<u>Term Expires</u>
Mayor	Rudy Patch	12/31/18
Vice-Mayor	Amata Molnar	12/31/20
Council	Jason Kolb	12/31/20
	William Sellon	12/31/18
Administrator	Christina Regas	Appointive

DRAFT



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota, as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's and Non-Employer Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 5 through 11 and pages 55 through 64 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 May 23, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blackduck, Minnesota's internal control over financial reporting and compliance.

Miller McDonald, Inc.

May 23, 2018
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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 of the City exceeded liabilities by \$4,214,523. Of this amount, \$1,216,382 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 \$1,745,101. Of this total amount, approximately 18%, or \$321,827 is available for spending at the City's discretion.
- At the end of the year, unassigned fund balance for the general fund was \$319,381. The total unassigned fund balance for the City's governmental funds at the end of the year was \$321,827.
- Total outstanding long-term debt was \$1,876,883 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 bonds account for \$1,427,000 or 76% 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, 2017

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two 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 fiduciary, 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, 2017

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.

Fiduciary Funds – The City is the trustee, or fiduciary, 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 fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

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 23 through 54 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 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,214,523.

The largest portion of the City's net position, 52%, 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	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	\$ 1,773,699	1,667,560	\$ 887,173	\$ 722,365	\$ 2,660,872	\$ 2,389,925
Capital Assets, Net of Depreciation	1,378,058	1,416,102	2,563,337	2,058,510	3,941,395	3,474,612
Total Assets	3,151,757	3,083,662	3,450,510	2,780,875	6,602,267	5,864,537
Deferred Outflows of Resources	216,699	330,176	69,595	132,167	286,294	462,343
Liabilities:						
Long-Term Liabilities Outstanding	507,703	827,234	1,721,765	1,554,727	2,229,468	2,381,961
Other Liabilities	33,556	35,170	86,892	101,092	120,448	136,262
Total Liabilities	541,259	862,404	1,808,657	1,655,819	2,349,916	2,518,223
Deferred Inflows of Resources	262,532	54,908	61,590	27,352	324,122	82,260
Net Position:						
Net Investment in Capital Assets	1,088,630	1,002,431	1,088,963	832,738	2,177,593	1,835,169
Restricted	820,548	821,902	-	-	820,548	821,902
Unrestricted	655,487	672,193	560,895	397,133	1,216,382	1,069,326
Total Net Position	\$ 2,564,665	\$ 2,496,526	\$ 1,649,858	\$ 1,229,871	\$ 4,214,523	\$ 3,726,397

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

A portion of the City's net position, approximately 19%, represents resources subject to restrictions on how they may be used. The remaining balance of unrestricted net position \$1,216,382 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 \$68,139.
Business-type Activities - Business-type activities increased the City's net position by \$419,987.

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 107,429	\$ 115,813	\$ 1,533,912	\$ 1,505,830	\$ 1,641,341	\$ 1,621,643
Operating Grants and Contributions	103,777	83,929	-	-	103,777	83,929
Capital Grants and Contributions	-	-	506,091	357,557	506,091	357,557
General Revenues:						
Property Taxes and Special Assessments	239,266	241,873	8,182	8,523	247,448	250,396
Grants and aids Not Restricted for Specific Programs	256,574	251,064	-	-	256,574	251,064
Fines and Fees	822	1,531	-	-	822	1,531
Interest Income	7,675	9,592	-	-	7,675	9,592
Rental Income	-	-	7,296	7,595	7,296	7,595
Other	19,602	13,139	162	408	19,764	13,547
Total Revenues	735,145	716,941	2,055,643	1,879,913	2,790,788	2,596,854
Expenses:						
General Government	162,384	168,615	-	-	162,384	168,615
Public Safety	251,730	296,177	-	-	251,730	296,177
Streets and Highways	170,761	149,322	-	-	170,761	149,322
Economic Development	25,190	26,449	-	-	25,190	26,449
Culture and Recreation	62,601	71,671	-	-	62,601	71,671
Cemetery	5,426	5,224	-	-	5,426	5,224
Interest and Fiscal Fees	39,440	40,224	-	-	39,440	40,224
Municipal Water	-	-	217,188	208,974	217,188	208,974
Municipal Sewage Disposal	-	-	212,005	207,997	212,005	207,997
Municipal Golf Course	-	-	135,841	118,483	135,841	118,483
Municipal Liquor Store	-	-	1,020,096	1,018,971	1,020,096	1,018,971
Total Expenses	717,532	757,682	1,585,130	1,554,425	2,302,662	2,312,107
Increase (Decrease) in Net Position Before Transfers	17,613	(40,741)	470,513	325,488	488,126	284,747
Transfers	50,526	44,661	(50,526)	(44,661)	-	-
Change in Net Position	68,139	3,920	419,987	280,827	488,126	284,747
Net Position, Beginning of Year	2,496,526	2,492,606	1,229,871	949,044	3,726,397	3,441,650
Net Position, End of Year	\$ 2,564,665	\$ 2,496,526	\$ 1,649,858	\$ 1,229,871	\$ 4,214,523	\$ 3,726,397

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, 2017

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, unreserved 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 2017 fiscal year, the City's governmental funds reported combined fund balances of \$1,745,101. Approximately 18% of this total amount, or \$321,827, constitutes unassigned fund balances, which is available for spending at the government's discretion. The remainder of the fund balances made up of nonspendable for \$12,607, restricted for notes receivable of \$541,028, restricted for debt service for \$153,114 and other committed and restricted for \$716,525.

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 \$206,793, municipal sewage \$224,209, municipal water \$204,640 and municipal golf course (\$74,747). 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.

General Fund Budgetary Highlights

The City did not amend the 2017 budget. The 2017 budget for the General Fund anticipated revenues in excess of expenditures after other financing sources and uses of \$9,982. Actual results for the General Fund for 2017 show revenues in excess of expenditures after other financing sources and uses of \$30,275.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$3,941,395 (net of accumulated depreciation). This investment includes land, buildings, improvements, equipment and infrastructure.

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land and Buildings	\$ 751,114	\$ 751,114	\$ 2,854,228	\$ 2,854,228	\$ 3,605,342	\$ 3,605,342
Furniture, Fixtures, and Equipment	843,675	803,555	425,905	425,905	1,269,580	1,229,460
Other Improvements	1,167,292	1,167,292	1,721,794	1,632,004	2,889,086	2,799,296
Construction in Progress	51,146	41,521	1,113,169	509,774	1,164,315	551,295
Less Accumulated Depreciation	(1,435,169)	(1,347,380)	(3,551,759)	(3,363,401)	(4,986,928)	(4,710,781)
Total	<u>\$ 1,378,058</u>	<u>\$ 1,416,102</u>	<u>\$ 2,563,337</u>	<u>\$ 2,058,510</u>	<u>\$ 3,941,395</u>	<u>\$ 3,474,612</u>

Additional information on the City's capital assets can be found in Note 2 on pages 34 and 35 of this report.

Long Term Debt

At the end of the current fiscal year, the City had \$1,876,883 in bonds, notes and capital leases outstanding. The full faith and credit of the government 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ -	\$ -	\$ 93,000	\$ 93,000	\$ 93,000	\$ 93,000
Special Assessment Bonds	265,000	305,000	84,000	93,000	349,000	398,000
General Obligation Revenue Bonds	-	-	985,000	1,035,000	985,000	1,035,000
Capital Leases Payable	30,120	-	-	-	30,120	-
Notes Payable	98,704	108,671	321,059	14,000	419,763	122,671
Total	<u>\$ 393,824</u>	<u>\$ 413,671</u>	<u>\$ 1,483,059</u>	<u>\$ 1,235,000</u>	<u>\$ 1,876,883</u>	<u>\$ 1,648,671</u>

A total of \$138,701 was retired throughout the year. A more detailed breakdown of these obligations can be found in Note 2 on pages 36 through 38.

Economic Factors and Next Year's Budget and Rates

The City's elected officials and staff considered many factors when setting the fiscal year 2018 budget, rates, tax levy and fees, and as a result, the 2018 Levy increased from 2017. The City continues to strive to be fiscally responsible and yet maintain existing services to our residents while setting goals for future improvements to the City's infrastructure.

CITY OF BLACKDUCK, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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.

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CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,471,263	\$ 720,813	\$ 2,192,076
Petty Cash	300	-	300
Cash on Hand	-	2,500	2,500
Accounts Receivable	262	44,922	45,184
Special Assessments Receivable	78,023	5,361	83,384
Due from Other Governments	5,264	180	5,444
Notes Receivable	186,907	-	186,907
Delinquent Property Taxes Receivable	19,073	558	19,631
Inventory	-	97,529	97,529
Prepaid Expenses	12,607	15,310	27,917
Capital Assets, Net of Depreciation	1,378,058	2,563,337	3,941,395
<u>Total Assets</u>	<u>3,151,757</u>	<u>3,450,510</u>	<u>6,602,267</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to Pensions	216,699	69,595	286,294
<u>LIABILITIES</u>			
Accounts Payable	22,608	55,507	78,115
Sales Tax Payable	-	10,955	10,955
Accrued Interest Payable	3,350	14,194	17,544
Accrued Salaries and Wages Payable	5,883	6,236	12,119
Due to Other Governments	1,715	-	1,715
Noncurrent Liabilities			
Due Within One Year	51,985	80,089	132,074
Due in More Than One Year	455,718	1,641,676	2,097,394
<u>Total Liabilities</u>	<u>541,259</u>	<u>1,808,657</u>	<u>2,349,916</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to Pensions	262,532	61,590	324,122
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,088,630	1,088,963	2,177,593
Restricted for Economic Development	518,327	-	518,327
Restricted for Debt Service	236,785	-	236,785
Restricted for Capital Projects	65,436	-	65,436
Unrestricted	655,487	560,895	1,216,382
<u>Total Net Position</u>	<u>\$ 2,564,665</u>	<u>\$ 1,649,858</u>	<u>\$ 4,214,523</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General Government	\$ 162,384	\$ 12,438	\$ 1,195	\$ -	\$ (148,751)	\$ -	\$ (148,751)
Public Safety	251,730	75,864	95,582	-	(80,284)	-	(80,284)
Streets and Highways	170,761	-	-	-	(170,761)	-	(170,761)
Economic Development	25,190	-	-	-	(25,190)	-	(25,190)
Culture and Recreation	62,601	13,627	7,000	-	(41,974)	-	(41,974)
Cemetery	5,426	5,500	-	-	74	-	74
Interest and Fiscal Fees	39,440	-	-	-	(39,440)	-	(39,440)
Total Governmental Activities	717,532	107,429	103,777	-	(506,326)	-	(506,326)
BUSINESS-TYPE ACTIVITIES							
Municipal Water	217,188	200,307	-	214,286	-	197,405	197,405
Municipal Sewage Disposal	212,005	157,536	-	291,805	-	237,336	237,336
Municipal Golf Course	135,841	88,729	-	-	-	(47,112)	(47,112)
Municipal Liquor Store	1,020,096	1,087,340	-	-	-	67,244	67,244
Total Business-Type Activities	1,585,130	1,533,912	-	506,091	-	454,873	454,873
Total Primary Government	\$ 2,302,662	\$ 1,641,341	\$ 103,777	\$ 506,091	(506,326)	454,873	(51,453)
General Revenues:							
Property Taxes and Special Assessments					239,266	8,182	247,448
Grants and Aids Not Restricted for Specific Programs					256,574	-	256,574
Fines and Fees					822	-	822
Interest Income					7,675	-	7,675
Rental Income					-	7,296	7,296
Other					19,602	162	19,764
Transfers In (Out)					50,526	(50,526)	-
Total General Revenues and Transfers					574,465	(34,886)	539,579
Change in Net Position					68,139	419,987	488,126
Net Position, Beginning of Year					2,496,526	1,229,871	3,726,397
Net Position, End of Year					\$ 2,564,665	\$ 1,649,858	\$ 4,214,523

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2017

	<u>General Fund</u>	<u>SCDP Revolving Loan Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 341,903	\$ 258,210	\$ 871,150	\$ 1,471,263
Petty Cash	300	-	-	300
Accounts Receivable	262	-	-	262
Due from Other Governments	3,855	-	1,409	5,264
Notes Receivable	-	285,611	-	285,611
Delinquent Property Taxes Receivable	13,425	-	5,648	19,073
Special Assessments Receivable	-	-	78,023	78,023
Prepaid Expenses	11,355	-	1,252	12,607
<u>Total Assets</u>	<u>\$ 371,100</u>	<u>\$ 543,821</u>	<u>\$ 957,482</u>	<u>\$ 1,872,403</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 19,495	\$ 2,793	\$ 320	\$ 22,608
Accrued Salaries and Wages Payable	5,729	-	154	5,883
Due to Other Governments	1,715	-	-	1,715
<u>Total Liabilities</u>	<u>26,939</u>	<u>2,793</u>	<u>474</u>	<u>30,206</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue	13,425	-	83,671	97,096
<u>Fund Balances</u>				
Nonspendable	11,355	-	1,252	12,607
Restricted	-	541,028	294,553	835,581
Committed	-	-	575,086	575,086
Unassigned	319,381	-	2,446	321,827
<u>Total Fund Balances</u>	<u>330,736</u>	<u>541,028</u>	<u>873,337</u>	<u>1,745,101</u>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balances</u>	<u>\$ 371,100</u>	<u>\$ 543,821</u>	<u>\$ 957,482</u>	<u>\$ 1,872,403</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, 2017

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,745,101

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	\$ 2,813,227	
Less Accumulated Depreciation	<u>(1,435,169)</u>	1,378,058

Unearned and unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements. 97,096

Inter-government receivable is reported in the governmental funds but are not in the governmental activities. (98,704)

Compensated absences payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. (11,410)

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. (496,293)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,350)

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

Deferred Outflows of Resources	216,699	
Deferred Inflows of Resources	<u>(262,532)</u>	<u>(45,833)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,564,665

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, 2017

	<u>General Fund</u>	<u>SCDP Revolving Loan Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes and Special Assessments	\$ 154,217	\$ -	\$ 80,749	\$ 234,966
Licenses and Permits	3,730	-	-	3,730
Intergovernmental Revenues	292,485	-	7,000	299,485
Tax Increments	-	-	28,394	28,394
Charges for Services	84,572	-	19,127	103,699
Fines and Fees	822	-	-	822
Interest Income	423	5,010	2,242	7,675
Donations and Grants	1,125	-	59,000	60,125
Other	13,056	25	631	13,712
<u>Total Revenues</u>	<u>550,430</u>	<u>5,035</u>	<u>197,143</u>	<u>752,608</u>
<u>Expenditures</u>				
Current:				
General Government	150,395	-	3,200	153,595
Public Safety	219,735	-	-	219,735
Streets and Highways	139,001	-	-	139,001
Culture and Recreation	42,200	-	16,514	58,714
Cemetery	-	-	5,325	5,325
Capital Outlay	52,529	-	-	52,529
Debt Service:				
Principal	-	-	49,967	49,967
Interest and Fiscal Charges	-	-	39,031	39,031
<u>Total Expenditures</u>	<u>603,860</u>	<u>-</u>	<u>114,037</u>	<u>717,897</u>
<u>Excess of Revenues Over (Under Expenditures)</u>	<u>(53,430)</u>	<u>5,035</u>	<u>83,106</u>	<u>34,711</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	5,960	-	-	5,960
Capital Lease Proceeds	38,620	-	-	38,620
Principal Payments on Capital Lease	(8,500)	-	-	(8,500)
Operating Transfers In	79,625	-	32,000	111,625
Operating Transfers Out	(32,000)	-	(29,099)	(61,099)
<u>Total Other Financing Sources (Uses)</u>	<u>83,705</u>	<u>-</u>	<u>2,901</u>	<u>86,606</u>
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)</u>	<u>30,275</u>	<u>5,035</u>	<u>86,007</u>	<u>121,317</u>
<u>Fund Balances, Beginning of Year</u>	<u>300,461</u>	<u>535,993</u>	<u>787,330</u>	<u>1,623,784</u>
<u>Fund Balances, End of Year</u>	<u>\$ 330,736</u>	<u>\$ 541,028</u>	<u>\$ 873,337</u>	<u>\$ 1,745,101</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, 2017

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	121,317
 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	\$ 49,745	
Depreciation	<u>(87,789)</u>	(38,044)
 Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		(24,094)
 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.		
		(1,785)
 Capital lease proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position.		
		(38,620)
 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	40,000	
Other Debt	9,967	
Capital Lease	8,500	
Net Amortization of Bond Discount	<u>(972)</u>	57,495
 Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.		
		563
 Governmental funds report City 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 Pension Contributions	23,337	
Cost of benefits earned net of employee contributions	<u>(32,030)</u>	<u>(8,693)</u>
 CHANGE IN NET POSITION TO GOVERNMENTAL ACTIVITIES	 \$	 <u><u>68,139</u></u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Golf Course Fund	Municipal Liquor Store Fund	2017	2016
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 254,400	\$ 262,282	\$ -	\$ 204,131	\$ 720,813	\$ 612,409
Cash on Hand	-	-	-	2,500	2,500	2,500
Accounts Receivable	16,153	16,153	-	12,616	44,922	15,424
Property Taxes Receivable	-	558	-	-	558	389
Special Assessments Receivable	-	5,361	-	-	5,361	6,703
Due from Other Funds	-	-	-	52,936	52,936	-
Due from Other Governments	-	180	-	-	180	115
Inventory	-	-	-	97,529	97,529	90,809
Prepaid Expenses	1,464	2,843	3,163	7,840	15,310	15,397
Total Current Assets	272,017	287,377	3,163	377,552	940,109	743,746
Capital Assets						
Land and Buildings	-	2,289,673	208,712	355,843	2,854,228	2,854,228
Furniture, Fixtures and Equipment	-	9,104	354,513	62,288	425,905	425,905
Other Improvements	1,558,145	141,751	-	21,898	1,721,794	1,632,004
Construction in Progress	577,883	535,286	-	-	1,113,169	509,774
	2,136,028	2,975,814	563,225	440,029	6,115,096	5,421,911
Less: Accumulated Depreciation	(689,183)	(2,196,577)	(348,983)	(317,016)	(3,551,759)	(3,363,401)
Capital Assets, Net of Depreciation	1,446,845	779,237	214,242	123,013	2,563,337	2,058,510
Total Assets	1,718,862	1,066,614	217,405	500,565	3,503,446	2,802,256
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows Related to Pensions	15,352	16,375	6,141	31,727	69,595	132,167
LIABILITIES						
Current Liabilities						
Due to Other Funds	-	-	52,936	-	52,936	21,381
Current Portion of Bonds Payable	51,089	19,000	10,000	-	80,089	73,000
Accounts Payable	1,276	1,198	1,401	51,632	55,507	75,182
Sales Tax Payable	607	-	-	10,348	10,955	9,495
Accrued Interest Payable	9,463	1,518	3,213	-	14,194	10,179
Accrued Salaries and Wages Payable	1,355	1,424	-	3,457	6,236	6,236
Total Current Liabilities	63,790	23,140	67,550	65,437	219,917	195,473
Long-Term Liabilities						
Bonds Payable, Net of Unamortized Bond Discount	1,047,754	264,000	162,620	-	1,474,374	1,225,772
Less: Current Portion	(51,089)	(19,000)	(10,000)	-	(80,089)	(73,000)
Compensated Absences	3,774	4,733	-	125	8,632	7,991
Net Pension Liability	52,667	56,179	21,067	108,846	238,759	320,964
Total Long-Term Liabilities	1,053,106	305,912	173,687	108,971	1,641,676	1,481,727
Total Liabilities	1,116,896	329,052	241,237	174,408	1,861,593	1,677,200
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows Related to Pensions	13,587	14,491	5,434	28,078	61,590	27,352
NET POSITION						
Net Investment in Capital Assets	399,091	515,237	51,622	123,013	1,088,963	832,738
Unrestricted	204,640	224,209	(74,747)	206,793	560,895	397,133
Total Net Position	\$ 603,731	\$ 739,446	\$ (23,125)	\$ 329,806	\$ 1,649,858	\$ 1,229,871

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, 2017

With Comparative Amounts For Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal	Municipal	Municipal	Municipal		
	Water	Sewage	Golf	Liquor	2017	2016
Fund	Disposal	Course	Store			
	Fund	Fund	Fund	Fund		
<u>Sales and Cost of Sales</u>						
Sales	\$ -	\$ -	\$ 14,145	\$ 1,087,340	\$ 1,101,485	\$ 1,088,343
Cost of Sales	-	-	(9,419)	(680,671)	(690,090)	(687,089)
Gross Profit	-	-	4,726	406,669	411,395	401,254
<u>Operating Revenues</u>	200,307	157,536	74,584	-	432,427	417,893
<u>Total Gross Profit and Operating Revenues</u>	200,307	157,536	79,310	406,669	843,822	819,147
<u>Operating Expenses</u>						
Personnel Services	76,949	80,921	51,627	187,726	397,223	376,893
Utilities	10,463	21,603	8,158	34,519	74,743	78,917
Supplies and Materials	9,159	2,656	13,129	15,790	40,734	38,913
Advertising and Printing	-	-	226	13,349	13,575	14,793
Repairs and Maintenance	8,087	5,535	9,998	8,261	31,881	37,642
Contracted Services	3,100	4,304	530	13,550	21,484	31,283
Insurance	3,301	5,060	5,672	20,685	34,718	29,364
Depreciation and Amortization	70,945	80,895	24,071	12,990	188,901	181,596
Other Expenses	14,563	4,208	9,138	32,555	60,464	53,239
Total Operating Expenses	196,567	205,182	122,549	339,425	863,723	842,640
<u>Operating Income (Loss)</u>	3,740	(47,646)	(43,239)	67,244	(19,901)	(23,493)
<u>Non-Operating Revenues (Expenses)</u>						
Rental Income	-	-	-	7,296	7,296	7,595
Reimbursements	162	-	-	-	162	2
Fiscal Agent Fees	-	(3,813)	-	-	(3,813)	-
Property Taxes	-	7,876	-	-	7,876	7,690
Special Assessments	-	306	-	-	306	833
Federal Grants and Aids	214,286	291,805	-	-	506,091	357,557
Interest Expense	(20,621)	(3,010)	(3,873)	-	(27,504)	(24,696)
Total Non-Operating Revenues (Expenses)	193,827	293,164	(3,873)	7,296	490,414	348,981
<u>Net Income (Loss) Before Operating Transfers</u>	197,567	245,518	(47,112)	74,540	470,513	325,488
<u>Operating Transfers</u>						
Transfer to Other Funds	-	(7,152)	-	(60,000)	(67,152)	(92,345)
Transfer from Other Funds	7,152	9,474	-	-	16,626	47,684
Total Operating Transfers	7,152	2,322	-	(60,000)	(50,526)	(44,661)
<u>Net Income (Loss)</u>	204,719	247,840	(47,112)	14,540	419,987	280,827
<u>Net Position, Beginning of Year, As Restated</u>	399,012	491,606	23,987	315,266	1,229,871	949,044
<u>Net Position, End of Year</u>	\$ 603,731	\$ 739,446	\$ (23,125)	\$ 329,806	\$ 1,649,858	\$ 1,229,871

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Business-Type Activities - Enterprise Funds				Totals	
	Municipal Water Fund	Municipal Sewage Disposal Fund	Municipal Golf Course Fund	Municipal Liquor Store Fund	2017	2016
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$ 187,612	\$ 144,776	\$ 88,729	\$ 1,030,296	\$ 1,451,413	\$ 1,506,516
Cash Paid to Employees	(71,212)	(74,377)	(57,076)	(179,312)	(381,977)	(354,785)
Cash Paid to Suppliers	(49,610)	(52,946)	(25,509)	(832,917)	(960,982)	(947,376)
<u>Net Cash Provided by Operating Activities</u>	66,790	17,453	6,144	18,067	108,454	204,355
<u>Cash Flows from Non-Capital Financing Activities</u>						
Transfers To Other Funds	-	(7,152)	-	(60,000)	(67,152)	(92,345)
Transfers From Other Funds	7,152	9,474	-	-	16,626	47,684
<u>Net Cash Provided by (Used in) Non-Capital Financing Activities</u>	7,152	2,322	-	(60,000)	(50,526)	(44,661)
<u>Cash Flows from Capital and Related Financing Activities</u>						
Purchase of Property and Equipment	(362,579)	(330,606)	-	-	(693,185)	(512,138)
Principal Paid on Bonds Payable	(66,234)	(9,000)	(5,000)	-	(80,234)	(68,000)
Reimbursements	162	-	-	-	162	2
Bond Proceeds	148,293	180,000	-	-	328,293	93,000
Grant Proceeds	214,286	291,805	-	-	506,091	357,557
Property Taxes Proceeds	-	7,707	-	-	7,707	7,460
Special Assessment Proceeds	-	1,648	-	-	1,648	1,321
Interest and Fees Paid on Bonds	(19,690)	(6,468)	(1,144)	-	(27,302)	(24,504)
<u>Net Cash Provided by (Used in) Capital and Related Financing Activities</u>	(85,762)	135,086	(6,144)	-	43,180	(145,302)
<u>Cash Flows from Investing Activities</u>						
Rental Income	-	-	-	7,296	7,296	7,595
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(11,820)	154,861	-	(34,637)	108,404	21,987
<u>Cash and Cash Equivalents, Beginning of Year</u>	266,220	107,421	-	238,768	612,409	590,422
<u>Cash and Cash Equivalents, End of Year</u>	\$ 254,400	\$ 262,282	\$ -	\$ 204,131	\$ 720,813	\$ 612,409

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

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>2017</u>	<u>2016</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>	\$ 3,740	\$ (47,646)	\$ (43,239)	\$ 67,244	\$ (19,901)	\$ (23,493)
<u>Adjustments to Reconcile Operating</u>						
<u>Income (Loss) to Net Cash Provided by</u>						
<u>(Used in) Operating Activities</u>						
Depreciation and Amortization	70,945	80,895	24,071	12,990	188,901	181,596
Changes in Assets, Liabilities and Deferrals						
(Increase) Decrease in:						
Accounts Receivable	(12,695)	(12,695)	-	(4,108)	(29,498)	362
Due from Other Governments	-	(65)	-	(52,936)	(53,001)	(82)
Inventory	-	-	-	(6,720)	(6,720)	616
Prepaid Expenses	-	-	(1,106)	1,193	87	2,179
Deferred Outflows of Resources	12,265	13,215	9,640	27,452	62,572	(103,885)
Increase (Decrease) in:						
Accounts Payable	(1,258)	(9,580)	312	(9,149)	(19,675)	8,286
Due to Other Funds	-	-	31,555	-	31,555	11,888
Sales Tax Payable	321	-	-	1,139	1,460	895
Accrued Salaries and Wages Payable	-	-	-	-	-	3,960
Accrued Compensated Absences	-	641	-	-	641	(149)
Deferred Inflows of Resources	7,872	8,367	2,168	15,831	34,238	2,539
Net Pension Liability	(14,400)	(15,679)	(17,257)	(34,869)	(82,205)	119,643
<u>Net Cash Provided by (Used in)</u>						
<u>Operating Activities</u>	<u>\$ 66,790</u>	<u>\$ 17,453</u>	<u>\$ 6,144</u>	<u>\$ 18,067</u>	<u>\$ 108,454</u>	<u>\$ 204,355</u>

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS
DECEMBER 31, 2017

ASSETS

Cash and Cash Equivalents

\$ 5,078**LIABILITIES**

Due to Other Organization

\$ 5,078

DRAFT

See Accompanying Notes to Financial Statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 government.

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 components units were 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, 2017

3.) 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 fiduciary 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.

b.) Fund Financial Statements

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

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

The government-wide statements, proprietary fund statements, and fiduciary 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

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.

SCDP Revolving Loan Special Revenue Fund – The SCDP Revolving Loan Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

3.) Fiduciary Fund:

The City reports the following agency fund:

Housing and Redevelopment Authority Agency Fund – The Housing and Redevelopment Authority Agency 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.

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 cost, which approximates market on a first-in, first-out basis. Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3.) Capital Assets and Depreciation

The City's capital assets with useful lives of more than one year are stated at estimated historical cost and comprehensively reported in the government-wide financial statements. Infrastructure with useful lives of more than one year are stated at estimated historical cost – current replacement 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 estimated fair market 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

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

In accordance with ASC 835-20, the City capitalizes net interest costs on funds borrowed to finance the construction of proprietary fund capital assets. For the year ended December 31, 2017, no interest was capitalized in connection with construction in progress of Proprietary Fund capital assets.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5.) Long-term Obligations

In the government-wide and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. 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 outflow/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7.) Deferred Outflows/Inflows of Resources

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

	General Fund	Other Governmental Funds	Total
Property Taxes	\$ 13,425	\$ 5,648	\$ 19,073
Special Assessments	-	78,023	78,023
Total	\$ 13,425	\$ 83,671	\$ 97,096

Deferred Outflows and Inflows Related to Pensions are 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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA.

For PERA's 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. Additional information can be found in Note 4.

8.) Fund Balance

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

As of December 31, 2017, fund balances are composed of the following:

	<u>General Fund</u>	<u>SCDP Revolving Loan Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenses	\$ 11,355	\$ -	\$ 1,252	\$ 12,607
Restricted:				
Cemetery Perpetual Care	-	-	60,034	60,034
Tax Increment Financing Districts	-	-	76,003	76,003
Notes Receivable	-	541,028	-	541,028
Debt Service	-	-	153,114	153,114
Capital Projects	-	-	5,402	5,402
Committed:				
Sewer Maintenance Sinking Fund	-	-	58,239	58,239
Sewer Replacement	-	-	8,551	8,551
Fire Hall Maintenance	-	-	163,886	163,886
Fire Department Special Equipment	-	-	177,792	177,792
Pine Tree Park	-	-	50,450	50,450
Water Maintenance Sinking Fund	-	-	104,433	104,433
Public Works Reserve	-	-	11,735	11,735
Unassigned:	319,381	-	2,446	321,827
Total	<u>\$ 330,736</u>	<u>\$ 541,028</u>	<u>\$ 873,337</u>	<u>\$ 1,745,101</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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 custodial credit risk for deposits of \$3,229 at December 31, 2017.

B. Investments

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

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

The City has not adopted a formal investment policy. The City has no invested funds at December 31, 2017. 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 held by the County as collection agent.

Delinquent – includes amounts billed to property owners but not paid as of December 31, 2017.

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

Special assessment - 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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

E. Notes Receivable

Notes receivable in the Revolving Loan fund used for business economic development at December 31, 2017 are as follows:

<u>Note Dated</u>	<u>Authorized/ Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Special Revenue Fund:				
7/16/2007	\$ 150,000	9/1/2022	0.91%	\$ 68,626
3/31/2009	15,000	4/1/2019	0.00%	2,000
3/31/2009	25,000	4/1/2024	3.25%	12,135
12/7/2011	171,492	2/1/2022	0.00%	44,850
5/29/2013	28,600	6/15/2023	2.50%	16,625
1/1/2014	25,000	10/1/2023	3.25%	30,588
12/31/2015	53,855	Not Determined	0.00%	53,855
5/18/2016	40,000	6/1/2023	3.50%	32,724
5/18/2016	30,000	6/1/2026	0.00%	24,208
Total	<u>\$ 538,947</u>			<u>\$ 285,611</u>

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

F. Capital Assets

Capital asset activity for the year ended December 31, 2017 is as follows:

	Capital Assets			Balance 12/31/17
	Balance 1/1/17	Additions	Disposals	
<u>Governmental Funds</u>				
Land and Buildings	\$ 751,114	\$ -	\$ -	\$ 751,114
Furniture, Fixtures and Equipment	803,555	40,120	-	843,675
Other Improvements	1,167,292	-	-	1,167,292
Construction in Progress	41,521	9,625	-	51,146
Total Governmental Funds	2,763,482	49,745	-	2,813,227
<u>Proprietary Funds</u>				
<u>Water</u>				
Other Improvements	1,558,145	-	-	1,558,145
Construction in Progress	215,304	362,579	-	577,883
Total Water Fund	1,773,449	362,579	-	2,136,028
<u>Sewage Disposal</u>				
Land and Buildings	2,289,673	-	-	2,289,673
Furniture, Fixtures and Equipment	9,104	-	-	9,104
Other Improvements	51,961	89,790	-	141,751
Construction in Progress	294,470	330,606	89,790	535,286
Total Sewage Disposal Fund	2,645,208	420,396	89,790	2,975,814
<u>Golf Course</u>				
Land and Buildings	208,712	-	-	208,712
Furniture, Fixtures and Equipment	354,513	-	-	354,513
Total Golf Course Fund	563,225	-	-	563,225
<u>Liquor Store</u>				
Land and Buildings	355,843	-	-	355,843
Furniture, Fixtures and Equipment	62,288	-	-	62,288
Other Improvements	21,898	-	-	21,898
Total Liquor Store Fund	440,029	-	-	440,029
<u>Total Proprietary Funds</u>				
Land and Buildings	2,854,228	-	-	2,854,228
Furniture, Fixtures and Equipment	425,905	-	-	425,905
Other Improvements	1,632,004	89,790	-	1,721,794
Construction in Progress	509,774	693,185	89,790	1,113,169
Total Proprietary Funds	5,421,911	782,975	89,790	6,115,096
Total All Funds	\$ 8,185,393	\$ 832,720	\$ 89,790	\$ 8,928,323

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

	Accumulated Depreciation			
	Balance 1/1/2017	Provisions	Disposals	
<u>Governmental Funds</u>				
Buildings	\$ 228,993	\$ 8,646	\$ -	\$ 237,639
Furniture, Fixtures and Equipment	696,721	33,115	-	729,836
Other Improvements	421,666	46,028	-	467,694
Total Governmental Funds	1,347,380	87,789	-	1,435,169
<u>Proprietary Funds</u>				
<u>Water</u>				
Other Improvements	618,727	70,456	-	689,183
<u>Sewage Disposal</u>				
Land and Buildings	2,083,485	76,472	-	2,159,957
Furniture, Fixtures and Equipment	9,105	-	-	9,105
Other Improvements	23,092	4,423	-	27,515
Total Sewage Disposal Fund	2,115,682	80,895	-	2,196,577
<u>Golf Course</u>				
Land and Buildings	69,656	647	-	70,303
Furniture, Fixtures and Equipment	255,310	23,370	-	278,680
Total Golf Course Fund	324,966	24,017	-	348,983
<u>Liquor Store</u>				
Land and Buildings	228,362	9,424	-	237,786
Furniture, Fixtures and Equipment	53,766	3,566	-	57,332
Other Improvements	21,898	-	-	21,898
Total Liquor Store Fund	304,026	12,990	-	317,016
<u>Total Proprietary Funds</u>				
Land and Buildings	2,381,503	86,543	-	2,468,046
Furniture, Fixtures and Equipment	318,181	26,936	-	345,117
Other Improvements	663,717	74,879	-	738,596
Total Proprietary Funds	3,363,401	188,358	-	3,551,759
Total All Funds	\$ 4,710,781	\$ 276,147	\$ -	\$ 4,986,928
<u>Capital Assets, Net of Depreciation</u>				
Governmental Funds	\$ 1,416,102	\$ (38,044)	\$ -	\$ 1,378,058
Proprietary Funds	2,058,510	594,617	89,790	2,563,337
Total Capital Assets, Net of Depreciation	\$ 3,474,612	\$ 556,573	\$ 89,790	\$ 3,941,395

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

G. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2017:

	Balance 1/1/17	Issues	Payments	Balance 12/31/17
General Long-Term Debt:				
Special Assessment Bonds:				
G.O. Refunding Bonds, Series 2009A	\$ 100,000	\$ -	\$ 10,000	\$ 90,000
G.O. Bonds, Series 2006A	205,000	-	30,000	175,000
Note Payable:				
Industrial Lane Internal Note*	54,816	-	9,967	44,849
Frontage Road Improvements Note*	53,855	-	-	53,855
Total General Long-Term Debt	413,671	-	49,967	363,704
Less: Unamortized Bond Discount	6,664	-	972	5,692
Total Net General Long-Term Debt	407,007	-	48,995	358,012
Capital Lease Payable (See Note 2, Section "H."):				
GM Financial	-	38,620	8,500	30,120
Other Long-Term Liabilities:				
Compensated Absences	9,625	1,785	-	11,410
Net Pension Liability	519,273	179,225	491,633	206,865
Total Governmental Activities	\$ 935,905	\$ 219,630	\$ 549,128	\$ 606,407
Proprietary Fund Debt:				
General Obligation Revenue Bonds:				
2012A Equipment Bond	\$ 22,000	\$ -	\$ 2,000	\$ 20,000
2012A Club House Refunded Bond	53,000	-	3,000	50,000
G.O. Refunding Bonds, Series 2012A	960,000	-	45,000	915,000
General Obligation Bond:				
2016 G.O. Equipment Certificate	93,000	-	-	93,000
Special Assessment Bonds:				
G.O. Disposal System Bonds, Series 2014A	93,000	-	9,000	84,000
Note Payable:				
2017 G.O. Disposal System Note	-	180,000	-	180,000
2016 G.O. Water Revenue Note	-	148,293	7,234	141,059
2010A G.O. Water Revenue Note	14,000	-	14,000	-
Total Proprietary Fund Debt	1,235,000	328,293	80,234	1,483,059
Less: Unamortized Bond Discount	9,228	-	543	8,685
Total Net Proprietary Long-Term Debt	1,225,772	328,293	79,691	1,474,374
Other Long-Term Liabilities:				
Compensated Absences	7,991	652	11	8,632
Net Pension Liability	320,964	152,414	234,619	238,759
Total Proprietary Activities	\$ 1,554,727	\$ 481,359	\$ 314,321	\$ 1,721,765

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

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

City indebtedness at December 31, 2017 is composed of the following individual bonds, and notes:

	Interest Rates	Issue Date	Maturity Date	Amount Authorized and Issued	Balance 12/31/2017	Amounts Due in 2018	
						Principal	Interest
General Obligation Issues:							
2016 G.O. Equipment Certificate	2.500	9/15/2016	2/1/2025	\$ 93,000	\$ 93,000	\$ -	\$ -
Special Assessment Bonds with Governmental Commitment:							
G.O. Bonds, Series 2006A	4.100-4.650	8/17/2006	2/1/2022	\$ 495,000	\$ 175,000	\$ 30,000	\$ 7,365
G.O. Refunding Bonds, Series 2009A	3.000-4.250	12/28/2009	1/1/2024	445,000	90,000	15,000	3,476
G.O. Disposal System Bonds, Series 2014A	3.000	10/20/2014	2/1/2025	105,000	84,000	10,000	2,370
Less: Unamortized Discount					5,692	-	-
Total Net Special Assessment Bonds				\$ 1,045,000	\$ 343,308	\$ 55,000	\$ 13,211
General Obligation Revenue Bonds:							
G.O. Refunding Revenue Bonds, Series 2012A	.750-2.550	12/27/2012	2/1/2035	\$ 1,075,000	\$ 915,000	\$ 45,000	\$ 18,919
2012A Equipment Bond	.750-2.550	12/27/2012	2/1/2035	25,000	20,000	2,000	313
Club House Refunded 2012A	.750-2.550	12/27/2012	2/1/2035	65,000	50,000	8,000	750
Less: Unamortized Discount					8,685	-	-
Total G. O. Revenue Bonds				\$ 1,165,000	\$ 976,315	\$ 55,000	\$ 19,982
Notes Payable:							
2017 G.O. Disposal System Note	2.950	11/1/2017	2/1/2028	\$ 180,000	\$ 180,000	\$ 9,000	\$ 3,850
2016 G.O. Water Revenue Note	1.000	8/22/2016	8/20/2036	148,293	141,059	6,089	1,263
Industrial Lane Internal Note	-	12/7/2011	2/1/2022	171,492	44,849	9,967	-
Frontage Road Improvements Note	-	12/31/2015	Not Determined	53,855	53,855	-	-
Total Notes Payable				\$ 553,640	\$ 419,763	\$ 25,056	\$ 5,113
Capital Lease Payable:							
GM Financial	10.000	3/23/2017	3/23/2021	\$ 38,620	\$ 30,120	\$ 6,985	\$ 1,515

Special assessment bond 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, 2017, 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
2018	\$ -	\$ 4,366	\$ 55,000	\$ 13,211	\$ 55,000	\$ 19,982	\$ 25,056	\$ 5,113
2019	12,000	2,175	60,000	10,939	55,000	19,294	31,967	6,176
2020	13,000	1,862	60,000	8,498	55,000	18,606	32,967	5,652
2021	13,000	1,538	60,000	6,000	55,000	17,767	32,967	5,107
2022	13,000	1,213	65,000	3,356	55,000	16,778	28,981	4,550
2023-2027	42,000	1,575	49,000	2,198	260,000	68,152	126,000	14,074
2028-2032	-	-	-	-	270,000	39,228	59,000	2,938
2033-2035	-	-	-	-	180,000	6,885	28,970	680
Totals	\$ 93,000	\$ 12,729	\$ 349,000	\$ 44,202	\$ 985,000	\$ 206,692	\$ 365,908	\$ 44,290

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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 2023.

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

The future scheduled tax levies and pledged revenues are not shown as assets in the accompanying financial statements at December 31, 2017. Future tax levies for all bonds outstanding at December 31, 2017 totaled \$172,221. The remaining bonds and capital lease outstanding are to be paid with pledged revenues totaling \$1,962,600.

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 2017 is computed as follows:

Market Value	\$26,333,300
Debt Limit Percentage	<u>3%</u>
Debt Limit	<u>\$ 789,999</u>

Amount of debt applicable to debt limit:

Total Bonded Debt	<u>\$1,748,059</u>
Less Exempt Bonded Debt:	
Special Assessment Bonds	349,000
Revenue Bonds	<u>1,126,059</u>
Total Exempt Bonded Debt	<u>\$1,475,059</u>
Total Debt Applicable to Debt Limit	<u>273,000</u>
Legal Debt Margin	<u>\$ 516,999</u>

CITY OF BLACKDUCK, MINNESOTA
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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	\$ -	\$ 38,620	\$ 8,500	\$ 30,120	\$ 6,985	\$ 1,515

The City's capital lease asset totals \$40,120 with accumulated depreciation of \$6,018.

The payments on the capital lease are accounted for in the General Fund. The annual requirements to amortize the capital lease at December 31, 2017 are as follows:

<u>Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,985	\$ 1,515	\$ 8,500
2019	7,336	1,164	8,500
2020	7,705	795	8,500
2021	8,094	406	8,500
Total	\$ 30,120	\$ 3,880	\$ 34,000

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 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.

CITY OF BLACKDUCK, MINNESOTA
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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 (and often do) 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
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E. Depreciation

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

Governmental Activities:	
General Government	\$ 6,440
Public Safety	23,344
Streets and Highways	29,052
Culture and Recreation	3,763
Economic Development	25,190
Total Governmental Activities Depreciation Expense	<u>\$ 87,789</u>
 Business-Type Activities:	
Municipal Sewage Disposal	\$ 80,895
Municipal Water	70,456
Municipal Golf Course	24,017
Municipal Liquor Store	12,990
Total Business-Type Activities Depreciation Expense	<u>\$ 188,358</u>

Note 4 - Defined Benefit Pension Plans – Statewide

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 (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

CITY OF BLACKDUCK, MINNESOTA
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Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

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.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF BLACKDUCK, MINNESOTA
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Police and Fire Plan Benefits

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

B. 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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$27,750. The City's contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$14,402. The City's contributions were equal to the required contributions as set by State Statute.

C. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$351,116 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 \$6 million to the fund in 2017. 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 \$4,440. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0055% which was a decrease of .0004% from its proportion measured as of June 30, 2016.

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For the year ended December 31, 2017, the City recognized pension expense of (\$26,081) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$128 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, 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	\$ 11,572	\$ 23,969
Changes in actuarial assumptions	62,533	35,199
Difference between projected and actual investment earnings	6,033	-
Changes in proportion	7,774	31,405
Contributions paid to PERA subsequent to the measurement date	14,433	-
Total	<u>\$ 102,345</u>	<u>\$ 90,573</u>

\$14,433 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 6,956
2019	18,881
2020	(13,593)
2021	(14,905)

CITY OF BLACKDUCK, MINNESOTA
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Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$94,508 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0070% which was a decrease of .002% from its proportion measured as of June 30, 2016. The City also recognized \$630 for the year ended December 31, 2017 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, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$434,137 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, 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	\$ 2,175	\$ 32,485
Changes in actuarial assumptions	159,021	134,178
Difference between projected and actual investment earnings	10,236	-
Changes in proportion	5,400	66,886
Contributions paid to PERA subsequent to the measurement date	7,117	-
Total	<u>\$ 183,949</u>	<u>\$ 233,549</u>

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\$7,117 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	222
2019		222
2020		(4,231)
2021		(13,153)
2022		(39,777)

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using 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 were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 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 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- 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
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Police and Fire Fund

- 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 morality 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 elected Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

The 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	<u>2%</u>	0.00%
Total	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 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.

F. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>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:	\$ 544,608	\$ 351,116	\$ 192,709
	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>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:	\$ 177,987	\$ 94,508	\$ 25,592

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G. 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.

Defined Benefit Pension Plan – Volunteer Firemen's Relief Association

A. Plan Description

The City contributes to the Blackduck Firemen's Relief Association (Association), a single-employer, defined benefit pension plan. The plan provides retirement, disability and death benefits to volunteer firefighters of the City. Pension benefits are determined by multiplying the accrued liability, as set forth in *Minnesota Statutes 424A.092*, by the ration of the lump sum service pension amount provided in the bylaws of the Association to a service pension of \$900 per year of service. The Association's Board of Trustees has the authority to establish and amend benefit provisions. Benefit provisions are also subject to enabling state statutes; therefore, any amendments to benefit provisions are reviewed by the Office of the State Auditor.

B. Funding Policy

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid 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 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 \$19,828 made by the State of Minnesota for the Association. The City's annual contribution of the current year and the related information is on the following page.

Date Certified by City Council: December 5, 2016

Statutory Assumptions:

Investment Rate of Return	5.0%
Administrative Expenses Increase	3.5%
State Aid Contribution	100.0%
Amortization of Surplus (Deficit)	10.0%

CITY OF BLACKDUCK, MINNESOTA
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C. Three Year Trend Information

<u>Year Ended</u>	<u>Statutory Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>State Contribution</u>	<u>Percentage Contribution</u>
12/31/2017	\$ -	\$ -	0%	\$ 19,084	100%
12/31/2016	-	-	0%	19,828	100%
12/31/2015	-	-	0%	19,829	100%

D. Schedule of Funding Progress

<u>Year Ended</u>	<u>Value of Assets (a)</u>	<u>Statutory Accrued Liability (b)</u>	<u>Excess of Assets Over Liabilities (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Excess as a Percentage of Covered Payroll ((a-b)/c)</u>
12/31/2017	\$ 261,470	\$ 189,196	\$ 72,274	138%	N/A	N/A
12/31/2016	261,470	189,196	72,274	138%	N/A	N/A
12/31/2015	295,673	208,355	87,318	142%	N/A	N/A

The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Note 5 – Interfund Balances and Transfers

As of December 31, 2017, the City had an interfund balance of \$52,936 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.

CITY OF BLACKDUCK, MINNESOTA
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The City of Blackduck, Minnesota made the following transfers between funds during 2017 as follows:

	Transfer Out				Total
	General Fund	Other Governmental Funds	Municipal Sewer Disposal Fund	Municipal Liquor Store Fund	
Operating Transfers					
General Fund	\$ -	\$ 19,625	\$ -	\$ 60,000	\$ 79,625
Other- Governmental Funds	32,000	-	-	-	32,000
Municipal Water Fund	-	-	7,152	-	7,152
Municipal Sewer Disposal Fund	-	9,474	-	-	9,474
Total Transfers	<u>\$ 32,000</u>	<u>\$ 29,099</u>	<u>\$ 7,152</u>	<u>\$ 60,000</u>	<u>\$ 128,251</u>

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

Note 6 – Commitments and Contingencies

The City entered into a construction contract during the year for the Summit and Main Water and Sewer Project. As of December 31, 2017, the City had an outstanding construction contract totaling \$216,347. This will be funded by grants and debt.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7 - Segment Information

The City maintains four Business-Type Activities that provide 1) water services, 2) sewage disposal services, 3) golf course and 4) liquor store. Segment information is as follows:

	<u>Municipal Water</u>	<u>Municipal Sewage Disposal</u>	<u>Municipal Golf Course</u>	<u>Municipal Liquor Store</u>
Total Assets	\$ 1,718,862	\$ 1,066,614	\$ 217,405	\$ 500,565
Current Assets	272,017	287,377	3,163	377,552
Capital Assets, net of Depreciation	1,446,845	779,237	214,242	123,013
Deferred Outflows of Resources	15,352	16,375	6,141	31,727
Total Liabilities	1,116,896	329,052	241,237	174,408
Current Liabilities	63,790	23,140	67,550	65,437
Long-Term Liabilities	1,053,106	305,912	173,687	108,971
Deferred Inflows of Resources	13,587	14,491	5,434	28,078
Total Net Position	603,731	739,446	(23,125)	329,806
Net Investment in Capital Assets	399,091	515,237	51,622	123,013
Unrestricted	204,640	224,209	(74,747)	206,793
Gross Profit and Operating Revenues	200,307	157,536	79,310	406,669
Operating Expenses	196,567	205,182	122,549	339,425
Depreciation and Amortization	70,945	80,895	24,071	12,990
Operating Income (Loss)	3,740	(47,646)	(43,239)	67,244
Non-Operating Revenues (Expenses)	193,827	293,164	(3,873)	7,296
Operating Transfers In (Out)	7,152	2,322	-	(60,000)
Change in Net Position	204,719	247,840	(47,112)	14,540
Beginning Net Position, as Restated	399,012	491,606	23,987	315,266
Ending Net Position	603,731	739,446	(23,125)	329,806
Net Cash Provided by (Used in)				
Operating Activities	66,790	17,453	6,144	18,067
Non-Capital Financing Activities	7,152	2,322	-	(60,000)
Capital and Related Financing Activities	(85,762)	135,086	(6,144)	-
Investing Activities	-	-	-	7,296
Beginning Cash and Cash Equivalents	266,220	107,421	-	238,768
Ending Cash and Cash Equivalents	254,400	262,282	-	204,131

CITY OF BLACKDUCK, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 8 - Risk Management

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

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

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

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

Note 9 – Stewardship, Compliance and Accountability

Expenditures in Excess of Budget

Expenditures exceeded the budget in the following major fund for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 603,860	\$ 557,238	\$ 46,622

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

CITY OF BLACKDUCK, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

	2017		Variance- Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
<u>Revenues</u>				
<u>Taxes and Special Assessments</u>				
General Property Tax	\$ 156,933	\$ 154,200	\$ (2,733)	\$ 119,619
Special Assessments	100	17	(83)	5
Total Taxes and Special Assessments	<u>157,033</u>	<u>154,217</u>	<u>(2,816)</u>	<u>119,624</u>
<u>Licenses and Permits</u>	<u>5,200</u>	<u>3,730</u>	<u>(1,470)</u>	<u>3,892</u>
<u>Intergovernmental Revenues</u>				
<u>Federal</u>				
Other Federal Revenue	-	-	-	1,300
<u>State</u>				
Local Government Aids	245,269	254,743	9,474	247,110
Market Value Credit	-	47	47	113
PERA Aid	1,113	1,113	-	1,113
Police Aids	14,600	6,998	(7,602)	14,826
Fire Aid	19,000	29,584	10,584	31,328
Total Intergovernmental Revenues	<u>279,982</u>	<u>292,485</u>	<u>12,503</u>	<u>295,790</u>
<u>Charges for Services</u>				
Rural Fire Contracts	76,885	75,864	(1,021)	77,633
Other	8,000	8,708	708	19,461
Total Charges for Services	<u>84,885</u>	<u>84,572</u>	<u>(313)</u>	<u>97,094</u>
<u>Fines and Fees</u>	<u>5,000</u>	<u>822</u>	<u>(4,178)</u>	<u>1,531</u>
<u>Interest Income</u>	<u>700</u>	<u>423</u>	<u>(277)</u>	<u>625</u>
<u>Other</u>				
Reimbursements	250	11,808	11,558	11,021
Donations	2,000	1,125	(875)	705
Other	4,170	1,248	(2,922)	842
Total Other	<u>6,420</u>	<u>14,181</u>	<u>7,761</u>	<u>12,568</u>
<u>Total Revenues</u>	<u>539,220</u>	<u>550,430</u>	<u>11,210</u>	<u>531,124</u>

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

	2017			2016 Actual
	Original and Final Budget	Actual	Variance- Positive (Negative)	
<u>Expenditures</u>				
<u>General Government</u>				
<u>Mayor and Council</u>				
Personal Services	7,150	5,517	1,633	6,163
Materials and Supplies	1,050	1,065	(15)	95
Other Expenditures	100	35	65	-
Total Mayor and Council	<u>8,300</u>	<u>6,617</u>	<u>1,683</u>	<u>6,258</u>
<u>Administration</u>				
Personal Services	75,805	77,409	(1,604)	72,773
Materials and Supplies	4,100	5,860	(1,760)	5,730
Purchased Services	15,910	18,741	(2,831)	26,100
Other Expenditures	23,800	30,770	(6,970)	27,002
Debt Service - Principal	2,100	-	2,100	-
Total Administration	<u>121,715</u>	<u>132,780</u>	<u>(11,065)</u>	<u>131,605</u>
<u>Planning/Zoning</u>				
Personal Services	-	-	-	1,996
<u>Government Buildings</u>				
Materials and Supplies	900	213	687	195
Repairs and Maintenance	5,000	3,683	1,317	1,731
Purchased Services	9,150	7,102	2,048	7,411
Total Government Buildings	<u>15,050</u>	<u>10,998</u>	<u>4,052</u>	<u>9,337</u>
Total General Government	<u>145,065</u>	<u>150,395</u>	<u>(5,330)</u>	<u>149,196</u>
<u>Public Safety</u>				
<u>Law Enforcement</u>				
Personal Services	123,524	123,999	(475)	96,690
Materials and Supplies	15,550	11,776	3,774	11,747
Repairs and Maintenance	9,000	9,372	(372)	10,434
Purchased Services	16,100	11,600	4,500	10,023
Other Expenditures	4,300	5,521	(1,221)	3,959
Total Law Enforcement	<u>168,474</u>	<u>162,268</u>	<u>6,206</u>	<u>132,853</u>

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

	2017		Variance- Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
<u>Fire</u>				
Personal Services	14,700	24,384	(9,684)	27,212
Materials and Supplies	13,175	6,058	7,117	11,159
Repair and Maintenance	12,250	10,302	1,948	8,983
Purchased Services	21,000	15,754	5,246	13,782
Other Expenditures	3,300	969	2,331	2,850
Capital Outlay	1,750	1,196	554	1,010
Total Fire	66,175	58,663	7,512	64,996
Total Public Safety	234,649	220,931	13,718	197,849
<u>Streets and Highways</u>				
<u>Street Maintenance</u>				
Personal Services	59,888	62,803	(2,915)	58,991
Materials and Supplies	32,850	25,808	7,042	20,443
Repair and Maintenance	6,250	10,621	(4,371)	4,780
Purchased Services	14,350	15,830	(1,480)	11,671
Other Expenditures	-	358	(358)	-
Capital Outlay	1,000	51,333	(50,333)	43,138
Total Street Maintenance	114,338	166,753	(52,415)	139,023
<u>Street Lighting</u>				
Materials and Supplies	7,000	8,148	(1,148)	-
Repairs and Maintenance	1,000	2,518	(1,518)	1,312
Purchased Services	14,000	12,915	1,085	13,733
Total Street Lighting	22,000	23,581	(1,581)	15,045
Total Streets and Highways	136,338	190,334	(53,996)	154,068
<u>Culture and Recreation</u>				
<u>Parks and Recreation</u>				
Personal Services	6,085	10,170	(4,085)	9,434
Materials and Supplies	3,075	960	2,115	1,907
Repairs and Maintenance	1,000	1,013	(13)	650
Purchased Services	9,800	9,596	204	8,358
Capital Outlay	-	-	-	10,345
Total Parks and Recreation	19,960	21,739	(1,779)	30,694

See Accompanying Notes to the Required Supplementary Information.

CITY OF BLACKDUCK, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For Year Ended December 31, 2016

	2017			2016 Actual
	Original and Final Budget	Actual	Variance- Positive (Negative)	
<u>Library</u>				
Materials and Supplies	600	247	353	588
Repairs and Maintenance	789	852	(63)	472
Purchased Services	19,837	19,362	475	18,815
Total Library	21,226	20,461	765	19,875
Total Culture and Recreation	41,186	42,200	(1,014)	50,569
<u>Total Expenditures</u>	557,238	603,860	(46,622)	551,682
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	(18,018)	(53,430)	(35,412)	(20,558)
<u>Other Financing Sources (Uses)</u>				
Insurance Proceeds	-	5,960	5,960	-
Capital Lease Proceeds	-	38,620	38,620	-
Note Proceeds	-	-	-	41,521
Principal Payment on Capital Lease	-	(8,500)	(8,500)	-
Operating Transfer In	60,000	79,625	19,625	34,661
Operating Transfer (Out)	(32,000)	(32,000)	-	(32,000)
<u>Total Other Financing Sources (Uses)</u>	28,000	83,705	55,705	44,182
<u>Excess of Revenues and Other Financing Sources</u>				
<u>Over (Under) Expenditures and Other Financing (Uses)</u>	9,982	30,275	20,293	23,624
<u>Fund Balances, Beginning of Year</u>	300,461	300,461	-	276,837
<u>Fund Balances, End of Year</u>	\$ 310,443	\$ 330,736	\$ 20,293	\$ 300,461

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, 2017

Last 10 Fiscal Years*

For Fiscal 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- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>General Employees Plan:</u>							
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%
<u>Police and Fire Plan:</u>							
2017	0.0007%	94,508	-	94,508	70,299	134.44%	85.4%
2016	0.0009%	361,186	-	361,186	82,565	437.46%	63.9%
2015	0.0009%	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, 2017

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>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
<u>General Employees Plan:</u>					
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>					
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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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 SCDP 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, 2017

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

Note 2 – Pensions

General Employees Fund

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.

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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

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.

CITY OF BLACKDUCK, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

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.

Note 3 – Expenditures in Excess of Budget

Expenditures exceed the budget in the following major fund for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 603,860	\$ 557,238	\$ 46,622

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

CITY OF BLACKDUCK, MINNESOTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Sewer Maintenance Sinking Fund</u>	<u>Sewer Replacement Fund</u>	<u>Fire Hall Maintenance Fund</u>
<u>ASSETS</u>					
Cash	\$ 2,522	\$ 60,034	\$ 58,239	\$ 8,551	\$ 163,886
Due from Other Governments	-	-	-	-	-
Delinquent Property Taxes Receivable	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-
Prepaid Expenses	214	-	-	-	-
Total Assets	<u>\$ 2,736</u>	<u>\$ 60,034</u>	<u>\$ 58,239</u>	<u>\$ 8,551</u>	<u>\$ 163,886</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 7	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Wages Payable	69	-	-	-	-
Total Liabilities	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue	-	-	-	-	-
<u>Fund Balances</u>					
Nonspendable	214	-	-	-	-
Restricted	-	60,034	-	-	-
Committed	-	-	58,239	8,551	163,886
Unassigned	2,446	-	-	-	-
Total Fund Balances	<u>2,660</u>	<u>60,034</u>	<u>58,239</u>	<u>8,551</u>	<u>163,886</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,736</u>	<u>\$ 60,034</u>	<u>\$ 58,239</u>	<u>\$ 8,551</u>	<u>\$ 163,886</u>

Non-Major Special Revenue Funds

Pine Tree Park Fund	Water Sinking Fund	Tax Increment Financing Districts	Public Works Reserve Fund	Fire Department Special Equipment Fund	Total Non-Major Special Revenue Funds	2011 Industrial Loan Fund
\$ 50,848	\$ 104,433	\$ 76,003	\$ 17,137	\$ 177,792	\$ 719,445	\$ 12,644
-	-	-	-	-	-	3
-	-	-	-	-	-	34
-	-	-	-	-	-	36,000
<u>1,038</u>	-	-	-	-	<u>1,252</u>	-
<u>\$ 51,886</u>	<u>\$ 104,433</u>	<u>\$ 76,003</u>	<u>\$ 17,137</u>	<u>\$ 177,792</u>	<u>\$ 720,697</u>	<u>\$ 48,681</u>
\$ 313	\$ -	\$ -	\$ -	\$ -	\$ 320	\$ -
85	-	-	-	-	154	-
<u>398</u>	-	-	-	-	<u>474</u>	-
-	-	-	-	-	-	<u>36,034</u>
1,038	-	-	-	-	1,252	-
-	-	76,003	5,402	-	141,439	12,647
50,450	104,433	-	11,735	177,792	575,086	-
-	-	-	-	-	2,446	-
<u>51,488</u>	<u>104,433</u>	<u>76,003</u>	<u>17,137</u>	<u>177,792</u>	<u>720,223</u>	<u>12,647</u>
<u>\$ 51,886</u>	<u>\$ 104,433</u>	<u>\$ 76,003</u>	<u>\$ 17,137</u>	<u>\$ 177,792</u>	<u>\$ 720,697</u>	<u>\$ 48,681</u>

Non-Major Debt Service Funds			
2006	2009	Total	Total
G.O.	G.O.	Non-Major	Non-Major
Improvement	Improvement	Debt Service	Governmental
Bonds	Bonds	Funds	Funds
\$ 92,392	\$ 46,669	\$ 151,705	\$ 871,150
709	697	1,409	1,409
2,530	3,084	5,648	5,648
42,023	-	78,023	78,023
-	-	-	1,252
<u>\$ 137,654</u>	<u>\$ 50,450</u>	<u>\$ 236,785</u>	<u>\$ 957,482</u>
\$ -	\$ -	\$ -	\$ 320
-	-	-	154
-	-	-	474
<u>44,553</u>	<u>3,084</u>	<u>83,671</u>	<u>83,671</u>
-	-	-	1,252
93,101	47,366	153,114	294,553
-	-	-	575,086
-	-	-	2,446
<u>93,101</u>	<u>47,366</u>	<u>153,114</u>	<u>873,337</u>
<u>\$ 137,654</u>	<u>\$ 50,450</u>	<u>\$ 236,785</u>	<u>\$ 957,482</u>

CITY OF BLACKDUCK, MINNESOTA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017

	<u>Cemetery Fund</u>	<u>Perpetual Care Fund</u>	<u>Sewer Maintenance Sinking Fund</u>	<u>Sewer Replacement Fund</u>	<u>Fire Hall Maintenance Fund</u>
<u>Revenues</u>					
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Tax Increments	-	-	-	-	-
Charges for Services	5,375	125	-	-	-
Intergovernmental Revenues	-	-	-	-	-
Interest Income	282	-	308	43	774
Donations and Grants	-	-	-	-	-
Other	2	-	-	-	-
<u>Total Revenues</u>	<u>5,659</u>	<u>125</u>	<u>308</u>	<u>43</u>	<u>774</u>
<u>Expenditures</u>					
Current:					
General Government	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Cemetery	5,325	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
<u>Total Expenditures</u>	<u>5,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues</u>					
<u>Over (Under) Expenditures</u>	<u>334</u>	<u>125</u>	<u>308</u>	<u>43</u>	<u>774</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers Out	-	-	-	(9,474)	-
Operating Transfers In	2,000	-	-	-	30,000
<u>Total Other Financing Sources (Uses)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>(9,474)</u>	<u>30,000</u>
<u>Excess of Revenues and</u>					
<u>Other Financing Sources Over (Under)</u>					
<u>Expenditures and Other Financing (Uses)</u>	<u>2,334</u>	<u>125</u>	<u>308</u>	<u>(9,431)</u>	<u>30,774</u>
<u>Fund Balances, Beginning of Year</u>	<u>326</u>	<u>59,909</u>	<u>57,931</u>	<u>17,982</u>	<u>133,112</u>
<u>Fund Balances, End of Year</u>	<u>\$ 2,660</u>	<u>\$ 60,034</u>	<u>\$ 58,239</u>	<u>\$ 8,551</u>	<u>\$ 163,886</u>

Non-Major Special Revenue Funds

<u>Pine Tree Park Fund</u>	<u>Water Sinking Fund</u>	<u>Tax Increment Financing Districts</u>	<u>Public Works Reserve Fund</u>	<u>Fire Department Special Equipment Fund</u>	<u>Total Non-Major Special Revenue Funds</u>	<u>2011 Industrial Loan Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20
-	-	-	-	-	-	9,900
-	-	28,394	-	-	28,394	-
13,627	-	-	-	-	19,127	-
7,000	-	-	-	-	7,000	-
-	560	-	138	137	2,242	-
-	-	-	-	59,000	59,000	-
453	-	176	-	-	631	-
<u>21,080</u>	<u>560</u>	<u>28,570</u>	<u>138</u>	<u>59,137</u>	<u>116,394</u>	<u>9,920</u>
-	3,200	-	-	-	3,200	-
16,514	-	-	-	-	16,514	-
-	-	-	-	-	5,325	-
-	-	-	-	-	-	9,967
-	-	20,637	-	-	20,637	-
<u>16,514</u>	<u>3,200</u>	<u>20,637</u>	<u>-</u>	<u>-</u>	<u>45,676</u>	<u>9,967</u>
<u>4,566</u>	<u>(2,640)</u>	<u>7,933</u>	<u>138</u>	<u>59,137</u>	<u>70,718</u>	<u>(47)</u>
-	-	-	(19,625)	-	(29,099)	-
-	-	-	-	-	32,000	-
-	-	-	(19,625)	-	2,901	-
4,566	(2,640)	7,933	(19,487)	59,137	73,619	(47)
<u>46,922</u>	<u>107,073</u>	<u>68,070</u>	<u>36,624</u>	<u>118,655</u>	<u>646,604</u>	<u>12,694</u>
<u>\$ 51,488</u>	<u>\$ 104,433</u>	<u>\$ 76,003</u>	<u>\$ 17,137</u>	<u>\$ 177,792</u>	<u>\$ 720,223</u>	<u>\$ 12,647</u>

Non-Major Debt Service Funds

2006		2009		Total	
G.O. Improvement Bonds		G.O. Improvement Bonds		Non-Major Debt Service Funds	
				Total Non-Major Governmental Funds	
\$	28,534	\$	20,661	\$	49,215
	21,634		-		31,534
	-		-		28,394
	-		-		19,127
	-		-		7,000
	-		-		2,242
	-		-		59,000
	-		-		631
	50,168		20,661		80,749
	-		-		3,200
	-		-		16,514
	-		-		5,325
	30,000		10,000		49,967
	14,149		4,245		18,394
	44,149		14,245		68,361
	6,019		6,416		12,388
	-		-		(29,099)
	-		-		32,000
	-		-		2,901
	6,019		6,416		12,388
	87,082		40,950		140,726
\$	93,101	\$	47,366	\$	153,114
					873,337

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 254,400	\$ 266,220
Accounts Receivable	16,153	3,458
Prepaid Expenses	1,464	1,464
Total Current Assets	272,017	271,142
<u>Capital Assets</u>		
Other Improvements	1,558,145	1,558,145
Construction in Progress	577,883	215,304
Less: Accumulated Depreciation	(689,183)	(618,727)
Capital Assets, Net of Depreciation	1,446,845	1,154,722
<u>Total Assets</u>	1,718,862	1,425,864
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	15,352	27,617
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	51,089	101,000
Accounts Payable	1,276	2,534
Sales Tax Payable	607	286
Accrued Interest Payable	9,463	8,532
Accrued Salaries and Wages Payable	1,355	1,355
Total Current Liabilities	63,790	113,707
<u>Long-Term Liabilities</u>		
Bonds Payable, Net of Unamortized Bond Discount	1,047,754	965,206
Less: Current Portion	(51,089)	(101,000)
Accrued Compensated Absences	3,774	3,774
Net Pension Liability	52,667	67,067
Total Long-Term Liabilities	1,053,106	935,047
<u>Total Liabilities</u>	1,116,896	1,048,754
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	13,587	5,715
<u>NET POSITION</u>		
Net Investment in Capital Assets	399,091	189,516
Unrestricted	204,640	209,496
<u>Total Net Position</u>	\$ 603,731	\$ 399,012

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For The Year Ended December 31, 2016

	<u>2017</u>		Variance - Positive (Negative)	<u>2016</u> Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 227,713	\$ 200,307	\$ (27,406)	\$ 198,324
<u>Operating Expenses</u>				
Personnel Services	72,765	76,949	(4,184)	74,420
Utilities	11,500	10,463	1,037	10,146
Supplies and Materials	12,900	9,159	3,741	9,546
Repairs and Maintenance	11,000	8,087	2,913	5,112
Contracted Services	3,750	3,100	650	3,050
Insurance	4,200	3,301	899	2,731
Depreciation and Amortization	-	70,945	(70,945)	76,658
Other Expenses	7,050	14,563	(7,513)	7,096
Total Operating Expenses	<u>123,165</u>	<u>196,567</u>	<u>(73,402)</u>	<u>188,759</u>
<u>Operating Income (Loss)</u>	<u>104,548</u>	<u>3,740</u>	<u>(100,808)</u>	<u>9,565</u>
<u>Non-Operating Revenues (Expenses)</u>				
Reimbursements	400	162	(238)	2
Federal Grants and Aids	-	214,286	214,286	216,703
Interest Expense	(23,714)	(20,621)	3,093	(20,215)
Total Non-Operating Revenues (Expenses)	<u>(23,314)</u>	<u>193,827</u>	<u>217,141</u>	<u>196,490</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>81,234</u>	<u>197,567</u>	<u>116,333</u>	<u>206,055</u>
<u>Operating Transfers</u>				
Transfer to Other Funds	(22,000)	-	22,000	-
Transfer from Other Funds	-	7,152	7,152	7,000
Total Operating Transfers	<u>(22,000)</u>	<u>7,152</u>	<u>29,152</u>	<u>7,000</u>
<u>Net Income (Loss)</u>	<u>59,234</u>	<u>204,719</u>	<u>145,485</u>	<u>213,055</u>
<u>Net Position, Beginning of Year</u>	<u>399,012</u>	<u>399,012</u>	<u>-</u>	<u>185,957</u>
<u>Net Position, End of Year</u>	<u>\$ 458,246</u>	<u>\$ 603,731</u>	<u>\$ 145,485</u>	<u>\$ 399,012</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Amounts For December 31, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2017	2016
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 187,612	\$ 200,137
Cash Paid to Employees	(71,212)	(67,378)
Cash Paid to Suppliers	(49,610)	(35,608)
Net Cash Provided by (Used in) Operating Activities	66,790	97,151
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers from Other Funds	7,152	7,000
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(362,579)	(197,786)
Bond Proceeds	148,293	-
Principal Paid on Bonds Payable	(66,234)	(54,000)
Reimbursements	162	2
Grant Proceeds	214,286	216,703
Interest and Fees Paid on Bonds	(19,690)	(20,043)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(85,762)	(55,124)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(11,820)	49,027
<u>Cash and Cash Equivalents, Beginning of Year</u>	266,220	217,193
<u>Cash and Cash Equivalents, End of Year</u>	\$ 254,400	\$ 266,220

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL WATER ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Amounts For December 31, 2016

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

	<u>2017</u>	<u>2016</u>
<u>Operating Income (Loss)</u>	\$ 3,740	\$ 9,565
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	70,945	76,658
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(12,695)	1,813
(Increase) Decrease in Deferred Outflows of Resources	12,265	(21,926)
Increase (Decrease) in Accounts Payable	(1,258)	2,200
Increase (Decrease) in Sales Tax Payable	321	(127)
Increase (Decrease) in Accrued Salaries and Wages Payable	-	823
Increase (Decrease) in Accrued Compensated Absences	-	867
Increase (Decrease) in Deferred Inflows of Resources	7,872	722
Increase (Decrease) in Net Pension Liability	(14,400)	26,556
	<u> </u>	<u> </u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 66,790</u>	<u>\$ 97,151</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 262,282	\$ 107,421
Accounts Receivable	16,153	3,458
Property Taxes Receivable	558	389
Special Assessments Receivable	5,361	6,703
Due from Other Governments	180	115
Prepaid Expenses	2,843	2,843
Total Current Assets	<u>287,377</u>	<u>120,929</u>
<u>Capital Assets</u>		
Land and Buildings	2,289,673	2,289,673
Furniture, Fixtures and Equipment	9,104	9,104
Other Improvements	141,751	51,961
Construction in Progress	535,286	294,470
	<u>2,975,814</u>	<u>2,645,208</u>
Less: Accumulated Depreciation	<u>(2,196,577)</u>	<u>(2,115,682)</u>
Capital Assets, Net of Depreciation	<u>779,237</u>	<u>529,526</u>
<u>Total Assets</u>	<u>1,066,614</u>	<u>650,455</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	<u>16,375</u>	<u>29,590</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Current Portion of Bonds Payable	19,000	9,000
Accounts Payable	1,198	10,778
Accrued Interest Payable	1,518	1,163
Accrued Salaries and Wages Payable	1,424	1,424
Total Current Liabilities	<u>23,140</u>	<u>22,365</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	264,000	93,000
Less: Current Portion	(19,000)	(9,000)
Accrued Compensated Absences	4,733	4,092
Net Pension Liability	56,179	71,858
Total Long-Term Liabilities	<u>305,912</u>	<u>159,950</u>
<u>Total Liabilities</u>	<u>329,052</u>	<u>182,315</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>14,491</u>	<u>6,124</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	515,237	436,526
Unrestricted	224,209	55,080
<u>Total Net Position</u>	<u>\$ 739,446</u>	<u>\$ 491,606</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, 2017

With Comparative Amounts For The Year Ended December 31, 2016

	2017		Variance - Positive (Negative)	2016 Actual
	Original and Final Budget	Actual		
<u>Operating Revenues</u>				
Charges for Services	\$ 162,415	\$ 157,536	\$ (4,879)	\$ 137,252
<u>Operating Expenses</u>				
Personnel Services	75,862	80,921	(5,059)	78,611
Utilities	16,500	21,603	(5,103)	26,331
Supplies and Materials	9,600	2,656	6,944	2,495
Repairs and Maintenance	16,750	5,535	11,215	7,868
Contracted Services	7,000	4,304	2,696	3,556
Insurance	6,800	5,060	1,740	3,646
Depreciation	-	80,895	(80,895)	78,463
Other Expenses	4,800	4,208	592	3,859
Total Operating Expenses	137,312	205,182	(67,870)	204,829
<u>Operating Income (Loss)</u>	25,103	(47,646)	(72,749)	(67,577)
<u>Non-Operating Income (Expense)</u>				
Property Taxes	7,800	7,876	76	7,690
Special Assessments	1,555	306	(1,249)	833
Federal Grants and Aids	-	291,805	291,805	140,854
Fiscal Agent Fees	-	(3,813)	(3,813)	-
Interest Expense	(2,807)	(3,010)	(203)	(3,168)
Total Non-Operating Income (Expense)	6,548	293,164	286,616	146,209
<u>Net Income (Loss) Before Operating Transfers</u>	31,651	245,518	213,867	78,632
<u>Operating Transfers</u>				
Transfer to Other Funds	(30,000)	(7,152)	22,848	(7,000)
Transfer from Other Funds	(30,000)	9,474	39,474	30,946
Total Operating Transfers	(60,000)	2,322	62,322	23,946
<u>Net Income (Loss)</u>	(28,349)	247,840	276,189	102,578
<u>Net Position, Beginning of Year</u>	491,606	491,606	-	389,028
<u>Net Position, End of Year</u>	\$ 463,257	\$ 739,446	\$ 276,189	\$ 491,606

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 144,776	\$ 138,873
Cash Paid to Employees	(74,377)	(70,444)
Cash Paid to Suppliers	<u>(52,946)</u>	<u>(38,621)</u>
Net Cash Provided by (Used in) Operating Activities	<u>17,453</u>	<u>29,808</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers To Other Funds	(7,152)	(7,000)
Transfers From Other Funds	<u>9,474</u>	<u>30,946</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>2,322</u>	<u>23,946</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	(330,606)	(215,162)
Principal Paid on Bonds Payable	(9,000)	(9,000)
Grant Proceeds	291,805	140,854
Bond Proceeds	180,000	-
Property Taxes Proceeds	7,707	7,460
Special Assessment Proceeds	1,648	1,321
Fiscal Agent Fees Paid	(3,813)	-
Interest and Fees Paid on Bonds	<u>(2,655)</u>	<u>(3,280)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>135,086</u>	<u>(77,807)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>154,861</u>	<u>(24,053)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>107,421</u>	<u>131,474</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 262,282</u>	<u>\$ 107,421</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL SEWAGE DISPOSAL ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
 With Comparative Amounts For December 31, 2016

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

	<u>2017</u>	<u>2016</u>
<u>Operating Income (Loss)</u>	\$ (47,646)	\$ (67,577)
<u>Adjustments to Reconcile Operating Income (Loss) to</u>		
<u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	80,895	78,463
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Accounts Receivable	(12,695)	1,703
(Increase) Decrease in Due from Other Governments	(65)	(82)
(Increase) Decrease in Deferred Outflows of Resources	13,215	(23,583)
Increase (Decrease) in Accounts Payable	(9,580)	9,134
Increase (Decrease) in Accrued Salaries and Wages Payable	-	892
Increase (Decrease) in Accrued Compensated Absences	641	910
Increase (Decrease) in Deferred Inflows of Resources	8,367	853
Increase (Decrease) in Net Pension Liability	(15,679)	29,095
	<u>17,453</u>	<u>29,808</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 17,453</u>	<u>\$ 29,808</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL GOLF COURSE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Prepaid Expenses	\$ 3,163	\$ 2,057
<u>Capital Assets</u>		
Land and Buildings	208,712	208,712
Furniture, Fixtures and Equipment	354,513	354,513
	563,225	563,225
Less: Accumulated Depreciation & Amortization	(348,983)	(324,966)
Capital Assets, Net of Depreciation	214,242	238,259
<u>Total Assets</u>	<u>217,405</u>	<u>240,316</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	6,141	15,781
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Due to Other Funds	52,936	21,381
Current Portion of Bonds Payable	10,000	5,000
Accounts Payable	1,401	1,089
Accrued Interest Payable	3,213	484
Total Current Liabilities	67,550	27,954
<u>Long-Term Liabilities</u>		
Bonds Payable, Net of Unamortized Bond Discount	162,620	167,566
Current Portion of Bonds Payable	(10,000)	(5,000)
Net Pension Liability	21,067	38,324
Total Long-Term Liabilities	173,687	200,890
<u>Total Liabilities</u>	<u>241,237</u>	<u>228,844</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	5,434	3,266
<u>NET POSITION</u>		
Net Investment in Capital Assets	51,622	70,693
Unrestricted	(74,747)	(46,706)
<u>Total Net Position</u>	<u>\$ (23,125)</u>	<u>\$ 23,987</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, 2017

With Comparative Amounts For The Year Ended December 31, 2016

	2017			2016 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<u>Sales</u>	\$ 16,700	\$ 14,145	\$ (2,555)	\$ 16,996
<u>Cost of Sales</u>	(9,400)	(9,419)	(19)	(9,452)
<u>Gross Profit</u>	7,300	4,726	(2,574)	7,544
<u>Operating Revenues</u>	94,618	74,584	(20,034)	82,317
<u>Total Gross Profit and Operating Revenues</u>	101,918	79,310	(22,608)	89,861
<u>Operating Expenses</u>				
Personnel Services	47,180	51,627	(4,447)	45,836
Utilities	8,300	8,158	142	8,518
Supplies and Materials	12,050	13,129	(1,079)	12,788
Advertising and Promotion	750	226	524	446
Repairs and Maintenance	-	9,998	(9,998)	9,262
Contracted Services	1,500	530	970	5,047
Insurance	5,650	5,672	(22)	3,342
Depreciation and Amortization	-	24,071	(24,071)	11,565
Other Expenses	14,050	9,138	4,912	10,914
Total Operating Expenses	89,480	122,549	(33,069)	107,718
<u>Operating Income (Loss)</u>	12,438	(43,239)	(55,677)	(17,857)
<u>Non-Operating Revenues (Expenses)</u>				
Interest Expense	(1,144)	(3,873)	(2,729)	(1,313)
<u>Net Income (Loss) Before Operating Transfers</u>	11,294	(47,112)	(58,406)	(19,170)
<u>Operating Transfers</u>				
Transfer From Other Funds	-	-	-	9,738
<u>Net Income (Loss)</u>	11,294	(47,112)	(58,406)	(9,432)
<u>Net Position, Beginning of Year</u>	23,987	23,987	-	33,419
<u>Net Position, End of Year</u>	\$ 35,281	\$ (23,125)	\$ (58,406)	\$ 23,987

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL GOLF COURSE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Amounts For December 31, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Users and Customers	\$ 88,729	\$ 99,313
Cash Paid to Employees	(57,076)	(49,451)
Cash Paid to Suppliers	(25,509)	(47,229)
Net Cash Provided by (Used in) Operating Activities	<u>6,144</u>	<u>2,633</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers From Other Funds	-	9,738
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Property and Equipment	-	(99,190)
Principal Paid on Bonds Payable	(5,000)	(5,000)
Bond Proceeds	-	93,000
Interest Paid	(1,144)	(1,181)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(6,144)</u>	<u>(12,371)</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>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> <u>PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
<u>Operating Income (Loss)</u>	\$ (43,239)	\$ (17,857)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u> <u>Provided by (Used in) Operating Activities</u>		
Depreciation and Amortization	24,071	11,565
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease in Prepaid Expenses	(1,106)	-
(Increase) Decrease in Deferred Outflows of Resources	9,640	(11,575)
Increase (Decrease) in Accounts Payable	312	652
Increase (Decrease) in Due to Other Funds	31,555	11,888
Increase (Decrease) in Deferred Inflows of Resources	2,168	(424)
Increase (Decrease) in Net Pension Liability	(17,257)	8,384
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 6,144</u>	<u>\$ 2,633</u>

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

With Comparative Amounts For December 31, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 204,131	\$ 238,768
Cash on Hand	2,500	2,500
Accounts Receivable	12,616	8,508
Due from Other Funds	52,936	-
Inventory	97,529	90,809
Prepaid Expenses	7,840	9,033
Total Current Assets	377,552	349,618
<u>Capital Assets</u>		
Land and Buildings	355,843	355,843
Furniture, Fixtures and Equipment	62,288	62,288
Other Improvements	21,898	21,898
	440,029	440,029
Less: Accumulated Depreciation	(317,016)	(304,026)
Capital Assets, Net of Depreciation	123,013	136,003
<u>Total Assets</u>	500,565	485,621
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	31,727	59,179
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	51,632	60,781
Sales Taxes Payable	10,348	9,209
Accrued Salaries and Wages Payable	3,457	3,457
Total Current Liabilities	65,437	73,447
<u>Long-Term Liabilities</u>		
Accrued Compensated Absences	125	125
Net Pension Liability	108,846	143,715
Total Long-Term Liabilities	108,971	143,840
<u>Total Liabilities</u>	174,408	217,287
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	28,078	12,247
<u>NET POSITION</u>		
Net Investment in Capital Assets	123,013	136,003
Unrestricted	206,793	179,263
<u>Total Net Position</u>	\$ 329,806	\$ 315,266

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, 2017
With Comparative Amounts For December 31, 2016

	2017			2016 Actual
	Original and Final Budget	Actual	Variance - Positive (Negative)	
<u>Sales</u>	\$ 927,900	\$ 1,087,340	\$ 159,440	\$ 1,071,347
<u>Cost of Sales</u>	(546,200)	(680,671)	(134,471)	(677,637)
<u>Gross Profit</u>	381,700	406,669	24,969	393,710
<u>Operating Expenses</u>				
Personnel Services	180,129	187,726	(7,597)	178,026
Utilities	33,400	34,519	(1,119)	33,922
Supplies and Materials	10,950	15,790	(4,840)	14,084
Advertising and Promotion	9,000	13,349	(4,349)	14,347
Repairs and Maintenance	10,000	8,261	1,739	15,400
Contracted Services	18,700	13,550	5,150	19,630
Insurance	21,800	20,685	1,115	19,645
Depreciation	500	12,990	(12,490)	14,910
Other Expenses	41,400	32,555	8,845	31,370
Total Operating Expenses	325,879	339,425	(13,546)	341,334
<u>Operating Income</u>	55,821	67,244	11,423	52,376
<u>Non-Operating Revenues (Expenses)</u>				
Rental Income	7,000	7,296	296	7,595
<u>Net Income (Loss) Before Operating Transfers</u>	62,821	74,540	11,719	59,971
<u>Operating Transfers</u>				
Transfer To Other Funds	(60,000)	(60,000)	-	(85,345)
<u>Net Income (Loss)</u>	2,821	14,540	11,719	(25,374)
<u>Net Position, Beginning of Year</u>	315,266	315,266	-	340,640
<u>Net Position, End of Year</u>	\$ 318,087	\$ 329,806	\$ 11,719	\$ 315,266

CITY OF BLACKDUCK, MINNESOTA
MUNICIPAL LIQUOR STORE ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Amounts For December 31, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,030,296	\$ 1,068,193
Cash Paid to Employees	(179,312)	(167,512)
Cash Paid to Suppliers	(832,917)	(825,918)
Net Cash Provided by (Used in) Operating Activities	<u>18,067</u>	<u>74,763</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Transfers To Other Funds	<u>(60,000)</u>	<u>(85,345)</u>
<u>Cash Flows from Investing Activities</u>		
Rental Income	<u>7,296</u>	<u>7,595</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(34,637)</u>	<u>(2,987)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>238,768</u>	<u>241,755</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 204,131</u>	<u>\$ 238,768</u>

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

<u>Operating Income (Loss)</u>	\$ 67,244	\$ 52,376
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation	12,990	14,910
Changes in Assets, Liabilities and Deferrals		
(Increase) Decrease Accounts Receivable	(4,108)	(3,154)
(Increase) Decrease Due from Other Funds	(52,936)	-
(Increase) Decrease Inventory	(6,720)	616
(Increase) Decrease Prepaid Expenses	1,193	2,179
(Increase) Decrease Deferred Outflows of Resources	27,452	(46,801)
Increase (Decrease) Accounts Payable	(9,149)	(3,700)
Increase (Decrease) Sales Tax Payable	1,139	1,022
Increase (Decrease) Accrued Salaries and Wages Payable	-	2,245
Increase (Decrease) Accrued Compensated Absences	-	(1,926)
Increase (Decrease) Deferred Inflows of Resources	15,831	1,388
Increase (Decrease) Net Pension Liability	<u>(34,869)</u>	<u>55,608</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 18,067</u>	<u>\$ 74,763</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements, and have issued our report thereon dated May 23, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Responses as items 2017-001 and 2017-002. 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.

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

Miller McDonald, Inc.

May 23, 2018
 Bemidji, Minnesota



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blackduck, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Blackduck, Minnesota's basic financial statements and have issued our report thereon dated May 23, 2018.

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 2016-001, 2016-002 and 2017-002, 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.

May 23, 2018
Bemidji, Minnesota

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

I. FINDING RELATED TO THE MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR CITIES

Finding 2017-001: Insufficient Pledged Collateral

Condition

The City had insufficient pledged collateral for deposits held as of December 31, 2017.

Criteria

State of Minnesota Statutes requires pledged collateral in the amount of 110% of deposits held in excess of the amount insured by FDIC.

Effect

The City is not in compliance with current Minnesota state statutes.

Cause

The City did not obtain anticipate the delay in a large check being cashed.

Recommendation

Monitor and inform the financial institution of the pledged collateral requirements and follow up with period review of pledged collateral status.

Management's Response – Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the finding. The main reason this problem occurred, was a large outstanding check of approximately \$300,000 for a construction project. This is not a typical occurrence and should be avoided in the future.

2. Actions Planned in Response to Finding

The City Administrator has communicated the need for sufficient pledged collateral requirements with the financial institution and will conduct a review of pledged collateral amounts to ensure compliance. In an effort to reduce incurring additional fees, the City will only perform this annually.

3. Official Responsible for Ensuring CAP Implementation

Christina Regas, City Administrator

4. Planned Completion of CAP

December 31, 2018

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

5. **Plan to Monitor Completion of CAP**
 Annual reviews of pledged collateral amounts.

Finding 2017-002: Insufficient Pledged Revenue for Debt Obligations

Condition

The City had insufficient pledged revenue for the payment obligations for the 2016 G.O. Equipment Certificate.

Criteria

The loan agreement and the State of Minnesota Statutes Section 475.61 require the certified levy specified and such that it, together with estimated collections of special assessments and other revenues pledged for the repayment of the obligations, will produce at least 5% in excess of the amounts needed to meet the principal and interest payments when due.

Effect

The City is not in compliance with the loan agreement and with Minnesota State Statutes.

Cause

The City did not identify pledged revenue for the payment obligations for the 2016 G.O. Equipment Certificate during the budget and levy process.

Recommendation

The City levy for 105% of the future obligation payments that are not funded with other pledged revenue for the 2016 G.O. Equipment Certificate.

Management's Response – Corrective Action Plan (CAP)

1. **Explanation of Disagreement with Audit Finding**
 There is no disagreement with the finding.
2. **Actions Planned in Response to Finding**
 The City will fund the current deficit with pledged liquor store operating revenues and will consider changing the 2018 levy collectable in 2019 for these future obligations.
3. **Official Responsible for Ensuring CAP Implementation**
 Christina Regas, City Administrator
4. **Planned Completion of CAP**
 December 31, 2018

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

5. Plan to Monitor Completion of CAP

Annual reviews of pledged revenue and future obligation amounts.

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

Internal Control

Finding 2016-001: 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.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

Management's Response – Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

3. Official Responsible for Ensuring CAP Implementation

Christina Regas, City Administrator

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 2016-002: 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.

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

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

Criteria

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

Effect

The impact to the financial statements has not been determined.

Cause

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

Recommendation

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

Management's Response – Corrective Action Plan (CAP)

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

There is no disagreement with the audit finding.

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

CITY OF BLACKDUCK, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017

Finding 2017-002: Insufficient Pledged Revenue for Debt Obligations

See Section "I. FINDING RELATED TO THE *MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR CITIES*"

DRAFT



CITY OF BLACKDUCK RESOLUTION NO: 2018-11

RESOLUTION APPROVING AN OFF-SITE GAMBLING LICENSE FOR THE BLACKDUCK FIRE RELIEF ASSOCIATION

WHEREAS, the Blackduck Fire Relief Association has made application with the Minnesota Gambling Control Board to conduct an off-site raffle to be held on July 26th, 2018 at the Blackduck Summer Ball Fields; and

WHEREAS, Blackduck Fire Relief Association has submitted said application to the City Council of the City of Blackduck, and the application was reviewed by the City Council at a public meeting conducted July 26th, 2018,

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Blackduck hereby approves the application for an Off-Site Gambling License for a raffle, for the Blackduck Fire Relief Association, to be held on July 26th, 2018, at the Blackduck Summer Ball Fields on 1st Street NE.

Adopted by the City Council on June 4th, 2018

Rudy Patch, Mayor

Christina Regas – City Administrator

LG220 Application for Exempt Permit

An exempt permit may be issued to a nonprofit organization that:
• conducts lawful gambling on five or fewer days, and
• awards less than \$50,000 in prizes during a calendar year.
If total raffle prize value for the calendar year will be \$1,500 or less, contact the Licensing Specialist assigned to your county by calling 651-539-1900.

Application Fee (non-refundable)

Applications are processed in the order received. If the application is postmarked or received 30 days or more before the event, the application fee is \$100; otherwise the fee is \$150.
Due to the high volume of exempt applications, payment of additional fees prior to 30 days before your event will not expedite service, nor are telephone requests for expedited service accepted.

ORGANIZATION INFORMATION

Organization Name: Blackduck Baseball Inc
Minnesota Tax ID Number, if any:
Mailing Address: PO Box 218
City: Blackduck State: MN Zip: 56430 County: Beltrami
Name of Chief Executive Officer (CEO): Tog Anderson
CEO Daytime Phone: 218 556 4042 CEO Email: togsara@paulbunyan.net
Email permit to (if other than the CEO):

NONPROFIT STATUS

Type of Nonprofit Organization (check one):
[] Fraternal [] Religious [] Veterans [X] Other Nonprofit Organization

Attach a copy of one of the following showing proof of nonprofit status:

(DO NOT attach a sales tax exempt status or federal employer ID number, as they are not proof of nonprofit status.)
[] A current calendar year Certificate of Good Standing
[] IRS income tax exemption (501(c)) letter in your organization's name
[] IRS - Affiliate of national, statewide, or international parent nonprofit organization (charter)

GAMBLING PREMISES INFORMATION

Name of premises where the gambling event will be conducted (for raffles, list the site where the drawing will take place): Blackduck Summer Ball fields
Physical Address (do not use P.O. box): 1st St
Check one: [X] City: Blackduck Zip: MN County: St Beltrami
Date(s) of activity (for raffles, indicate the date of the drawing): July 26, 2018

Check each type of gambling activity that your organization will conduct:
[] Bingo [] Paddlewheels [] Pull-Tabs [] Tipboards [X] Raffle

Gambling equipment for bingo paper, bingo boards, raffle boards, paddlewheels, pull-tabs, and tipboards must be obtained from a distributor licensed by the Minnesota Gambling Control Board. EXCEPTION: Bingo hard cards and bingo ball selection devices may be borrowed from another organization authorized to conduct bingo. To find a licensed distributor, go to www.mn.gov/gcb and click on Distributors under the List of Licensees tab, or call 651-539-1900.

LOCAL UNIT OF GOVERNMENT ACKNOWLEDGMENT (required before submitting application to the Minnesota Gambling Control Board)

**CITY APPROVAL
for a gambling premises
located within city limits**

The application is acknowledged with no waiting period.

The application is acknowledged with a 30-day waiting period, and allows the Board to issue a permit after 30 days (60 days for a 1st class city).

The application is denied.

Print City Name: _____

Signature of City Personnel: _____

Title: _____ Date: _____

The city or county must sign before submitting application to the Gambling Control Board.

**COUNTY APPROVAL
for a gambling premises
located in a township**

The application is acknowledged with no waiting period.

The application is acknowledged with a 30-day waiting period, and allows the Board to issue a permit after 30 days.

The application is denied.

Print County Name: _____

Signature of County Personnel: _____

Title: _____ Date: _____

TOWNSHIP (if required by the county)
On behalf of the township, I acknowledge that the organization is applying for exempted gambling activity within the township limits. (A township has no statutory authority to approve or deny an application, per Minn. Statutes, section 349.213.)

Print Township Name: _____

Signature of Township Officer: _____

Title: _____ Date: _____

CHIEF EXECUTIVE OFFICER'S SIGNATURE (required)

The information provided in this application is complete and accurate to the best of my knowledge. I acknowledge that the financial report will be completed and returned to the Board within 30 days of the event date.

Chief Executive Officer's Signature: *Tog Anderson* Date: 5/29/18

(Signature must be CEO's signature; designee may not sign)

Print Name: Tog Anderson

REQUIREMENTS

Complete a separate application for:

- all gambling conducted on two or more consecutive days; or
- all gambling conducted on one day.

Only one application is required if one or more raffle drawings are conducted on the same day.

Financial report to be completed within 30 days after the gambling activity is done:
A financial report form will be mailed with your permit. Complete and return the financial report form to the Gambling Control Board.

Your organization must keep all exempt records and reports for 3-1/2 years (Minn. Statutes, section 349.166, subd. 2(f)).

MAIL APPLICATION AND ATTACHMENTS

Mail application with:

- _____ a copy of your proof of nonprofit status; and
- _____ application fee (non-refundable). If the application is postmarked or received 30 days or more before the event, the application fee is **\$100**; otherwise the fee is **\$150**. Make check payable to **State of Minnesota**.

To: Minnesota Gambling Control Board
1711 West County Road B, Suite 300 South
Roseville, MN 55113

Questions?
Call the Licensing Section of the Gambling Control Board at 651-539-1900.

Data privacy notice: The information requested on this form (and any attachments) will be used by the Gambling Control Board (Board) to determine your organization's qualifications to be involved in lawful gambling activities in Minnesota. Your organization has the right to refuse to supply the information; however, if your organization refuses to supply this information, the Board may not be able to determine your organization's qualifications and, as a consequence, may refuse to issue a permit. If your organization supplies the information requested, the Board will be able to process the application. Your organization's name and address will be public information when received by the Board. All other information provided will be private data about your organization until the Board issues the permit. When the Board issues the permit, all information provided will become public. If the Board does not issue a permit, all information provided remains private, with the exception of your organization's name and address which will remain public. Private data about your organization are available to Board members, Board staff whose work requires access to the information; Minnesota's Department of Public Safety; Attorney General; Commissioners of Administration, Minnesota Management & Budget, and Revenue; Legislative Auditor, national and international gambling regulatory agencies; anyone pursuant to court order; other individuals and agencies specifically authorized by state or federal law to have access to the information; individuals and agencies for which law or legal order authorizes a new use or sharing of information after this notice was given; and anyone with your written consent.

This form will be made available in alternative format (i.e. large print, braille) upon request.

Internal Revenue Service
District Director

Department of the Treasury

Date: 19 JUN 1986

Employer Identification Number: 41-1476857

Accounting Period Ending: December 31

Form 990 Required: Yes No

Person to Contact: A. Bucek

Contact Telephone Number: 312-886-1278

Blackduck Baseball, Inc.
PO Box 212
Blackduck, MN 56630

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section 509(a)(2).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Requests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

The box checked in the heading of this letter shows whether you must file Form 990, Return of Organization Exempt from Income Tax. If Yes is checked, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, when a return is filed late, unless there is reasonable cause for the delay.

(over)

MINNESOTA REVENUE

May 3, 2012

MN ID: 2549943

Letter ID: L1526827776

NANCY REEVES
BLACKDUCK BASEBALL, INC.
PO BOX 212
BLACKDUCK MN 56630-0212

Minnesota Sales and Use Tax - Exempt Status

Your application for exemption from Minnesota sales and use tax as a nonprofit organization has been approved and you have been assigned a Minnesota tax ID number. Your Minnesota tax ID number is 2549943.

As evidence of exemption, a fully completed Certificate of Exemption, Form ST3, must be given to each seller from whom you purchase, lease, or rent tangible personal property or services for your use in your nonprofit functions. Please see the enclosed Form ST3 for instructions.

This exemption does not apply to purchases of prepared food, soft drinks, candy, alcoholic beverages, lodging, waste collection and disposal services, or to purchases or leases of motor vehicles. Purchases or leases of qualifying motor vehicles are exempt if the vehicles are used primarily to transport goods or people, other than employees, as part of the organization's charitable, religious, or educational functions. Qualifying vehicles are those defined in Minnesota Statutes, section 168.011, as a truck, bus, or passenger automobile that is designed and used for carrying more than nine people.

Your exempt status authorization may not be used by a building contractor to obtain exemption for materials purchased under a lump sum construction project covering both labor and materials for the construction, alteration, or repair of your building or other real property you may own.

Your application for nonprofit exempt status from Minnesota sales and use tax was approved based on current facts and circumstances regarding your organization and laws in effect at the time of approval. Different circumstances, statutory changes, or subsequent court decisions could affect your nonprofit exempt status. If your sources of support, character, or method of operation change, you must let us know so we can consider the effect of the change on your status. Also, please inform us of all changes in your legal name or address.

If your organization makes ongoing taxable retail sales, you are required to collect and remit the sales tax. When you purchase items for resale, you should give your supplier a fully completed Form ST3 claiming the resale exemption.

Sales and Use Tax Division
Mail Station 6330
St. Paul, MN 55146-6330
An equal opportunity employer
www.revenue.state.mn.us

Tel: (651) 296-6181
Fax: (651) 556-3102
TTY: (651) 556-3030 or
Call 711 for the Minnesota Relay



CITY OF BLACKDUCK RESOLUTION NO: 2018-10

RESOLUTION AUTHORIZING THE CITY OF BLACKDUCK TO BE A PARTY TO MINNESOTA WATER AGENCY RESPONSE NETWORK (MnWARN)

WHEREAS, Minnesota Statutes, Section 471.59 authorizes governmental units by agreement of their governing bodies to jointly or cooperatively exercise any power common to them;

WHEREAS, MnWARN has been established by the adoption of a Mutual Aid Agreement (the Agreement) among Governmental Units to allow their water, wastewater and storm water utilities to assist each other in case of an emergency;

WHEREAS, the Agreement allows other governmental units to become a party to the Agreement by the adoption of this Resolution and sending notice to the Secretary of the Statewide Committee for MnWARN; and

WHEREAS, the governing body of the City of Blackduck considers it to be in the best interest of the City to be a party to the Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the City of Blackduck:

1. Authorizes the Mayor and Clerk-Administrator-Treasurer to sign this resolution evidencing the intent of the City of Blackduck to be a party to MnWARN; and
2. Clerk-Administrator-Treasurer is directed to send a certified copy of this resolution and a completed membership information form to the Secretary of the Statewide Committee of MnWARN; and
3. The City of Blackduck agrees to comply with all terms of the Agreement.

IN WITNESS WHEREOF, The City of Blackduck by action of its governing body caused this Resolution to be approved on this 4th day of June 2018.

Rudy Patch, Mayor

Christina Regas, City Administrator

MINNESOTA WATER AGENCY RESPONSE NETWORK (MnWARN) MUTUAL AID AGREEMENT

This Minnesota Water Agency Response Network (MnWARN) Mutual Aid Agreement is made and entered into by the undersigned Parties.

WHEREAS, the Parties hereto are authorized by law or home rule charter to establish a water, wastewater or storm water utility; and

WHEREAS, the Parties hereto have established a water, wastewater and/or storm water utility; and

WHEREAS, the Parties recognize that an Emergency may require Assistance in the form of personnel, equipment and supplies from a Utility outside the Governmental Unit; and

WHEREAS, the governing bodies of the Parties have investigated the facts and determined that it is in their best interests to authorize their Utilities to work cooperatively with another Party's Utilities when there is an Emergency; and

WHEREAS, Minnesota Statutes, Section 471.59 authorizes the Parties by agreement of their governing bodies to jointly or cooperatively exercise any power common to them.

NOW, THEREFORE, in consideration of the mutual covenants made herein, the Parties agree as follows:

ARTICLE I PURPOSE

The Parties recognize that in an Emergency, their Utilities may require Assistance in the form of personnel, equipment and supplies from outside the area of impact. The purpose of this Agreement is to provide a framework, in the event of an Emergency, for the Parties to participate in an intrastate program for mutual aid assistance to provide water, wastewater and storm water utility services. The Parties authorize their Utilities to cooperatively assist other Party's Utilities when there is an Emergency, subject to the discretion of the Responding Party's Authorized Official as set forth in Article IV.

ARTICLE II DEFINITIONS

- A. Agreement — This Water Agency Response Network Mutual Aid Agreement.
- B. Assistance — Resources, including but not limited to personnel, equipment, material and supplies that a Responding Party's Utility provides to a Receiving Party's Utility.
- C. Authorized Official — An employee or official of a Party's Utility that is authorized by the Party's governing body to request Assistance or provide Assistance under this Agreement.
- D. Emergency — Any occurrence that is, or is likely to be, beyond the control of the services, personnel, equipment or facilities of a Party's Utility.
- E. Governmental Unit — A city, county or township in Minnesota or a city's public utilities commission.
- F. MnWARN — The framework for public water, wastewater and storm water utilities in Minnesota to assist other public water, wastewater and storm water utilities when there is an Emergency that requires Assistance from another Utility. The framework includes this Agreement and other resources to be developed and coordinated by the Statewide Committee to implement the purpose of this Agreement.
- G. National Incident Management System (NIMS) — A national, standardized approach to incident management and response that sets uniform processes and procedures for emergency response operations.
- H. Party/Parties — One or more governmental units that has a water, wastewater or stormwater utility that executes this Agreement or adopts this Agreement by resolution pursuant to Article XIV.
- I. Period of Assistance — The period of time when a Responding Party assists a Receiving Party. The period commences when personnel, equipment or supplies depart from a Responding Party's facility and ends when the resources return to their facility. All protections identified in the Agreement apply during this period. The Period of Assistance may occur during response to or recovery from an Emergency.
- J. Receiving Party — A Party who requests and receives Assistance under this Agreement.
- K. Responding Party — A Party that provides Assistance to another Party pursuant to this Agreement.
- L. Statewide Committee — The committee responsible for overseeing MnWARN on a statewide level.
- M. Steering Committee — The leadership group that established MnWARN and the development of this Agreement.
- N. Utility/Utilities — A water, wastewater and/or storm water utility of a Party.

ARTICLE III ADMINISTRATION

A. Statewide Committee.

1. Voting Members. MnWARN shall be administered through a Statewide Committee. The Statewide Committee shall be comprised of nine (9) voting members. The voting members of the Statewide Committee shall be comprised as follows: (i) an employee or official of a Utility located in Region 1 of the Minnesota Division of Homeland Security and Emergency Management Regions; (ii) an employee or official of a Utility located in Region 2 of the Minnesota Division of Homeland Security and Emergency Management Regions; (iii) an employee or official of a Utility located in Region 3 of the Minnesota Division of Homeland Security and Emergency Management Regions; (iv) an employee or official of a Utility located in Region 4 of the Minnesota Division of Homeland Security and Emergency Management Regions; (v) an employee or official of a Utility located in Region 5 of the Minnesota Division of Homeland Security and Emergency Management Regions; (vi) an employee or official of a Utility located in Region 6 of the Minnesota Division of Homeland Security and Emergency Management Regions; (vii) an employee or official of the Minnesota Rural Water Association; (viii) a representative from the Minnesota Section of the American Water Works Association; and (ix) a representative of the Minnesota Wastewater Operator's Association.
 - a. Initial Voting Members. The initial voting members representing the six regions of the Minnesota Division of Homeland Security and Emergency Management Regions shall be selected by the Steering Committee. The other three voting members shall be selected by the organization they represent.
 - b. Subsequent Voting Members. The appointment or election of subsequent voting members shall be done in accordance with bylaws to be adopted by the Statewide Committee.
 - c. Terms. The terms of the voting members shall be established by the bylaws to be adopted by the Statewide Committee.
 - d. Changes. The Statewide Committee may change the number or composition of the voting members in accordance with its bylaws.
2. Advisory Members. There shall be at least six (6) advisory members of the Statewide Committee who shall not be entitled to vote. The advisory member shall consist of a representative to be selected by each of the following organizations: (i) the Minnesota Pollution Control Agency; (ii) the Minnesota Department of Health; (iii) Minnesota Homeland Security and Emergency Management; (iv) the Association of Minnesota Emergency Managers; (v) the Minnesota Municipal Utilities Association; and (vi) the League of Minnesota Cities. The voting members of the Statewide Committee may change the number or composition of the advisory members in accordance with its bylaws. The terms of the advisory members shall be established by the bylaws of the Statewide Committee.
3. Officers. The Statewide Committee shall have the following officers: a Chair, a Vice-Chair and a Secretary. The initial officers shall be elected by the Statewide Committee at its first meeting. The terms of the initial officers and subsequently elected officers

shall be established by the bylaws of the Statewide Committee. The officers shall have the following powers:

- a. Chair. The Chair shall have no more power than any other member of the Statewide Committee except that the Chair shall act as the presiding officer at all Statewide Committee meetings and may have other duties as assigned from time to time and prescribed by the Statewide Committee.
- b. Vice-Chair. The Vice-Chair shall act as the presiding officer at any Statewide Committee meeting not attended by the Chair and shall perform the Chair's duties in the Chair's absence. The Vice-Chair may have other duties as assigned from time to time and prescribed by the Statewide Committee.
- c. Secretary. The Secretary shall be responsible for ensuring that minutes are prepared for all Statewide Committee meetings. The Secretary shall also keep all books and records of the Statewide Committee and shall give all notices required by law, and may have other duties as assigned from time to time and prescribed by the Statewide Committee. The Statewide Committee may delegate all or part of the Secretary's duties required under this Section to another person; provided that such delegation shall not relieve the Secretary of ultimate responsibility for these duties

4. Powers. The Statewide Committee shall have the following powers:

- a. To coordinate emergency planning and response activities of Utilities in coordination with the emergency management and public health system of the State;
- b. To adopt policies and procedures to further the purpose of MnWARN;
- c. To establish committees, including regional committees, to assist in implementing the purpose of MnWARN;
- d. To develop a resource list of personnel, equipment, supplies and other resources that may be used to provide Assistance;
- e. To establish a website to facilitate the Parties' use of MnWARN;
- f. To develop protocols, forms or procedures for Parties to request assistance;
- g. To develop educational materials; and
- h. To develop training materials and conduct training for Parties.

5. Meetings. The Statewide Committee shall hold meetings as follows:

- a. Organizational Meeting. An organizational meeting shall be held at a time and place to be determined by the Steering Committee.
- b. Regular Meetings. Thereafter, the Statewide Committee shall meet at least annually. A schedule of regular meetings may be adopted by the Statewide

Committee at the organizational meeting. A schedule of regular meetings may be changed from time to time as deemed necessary by the Statewide Committee.

- c. Special Meetings. Special meetings of the Statewide Committee may be called by the Chair and must be called by the Chair upon written request of two Statewide Committee members.
- d. Quorum. The Statewide Committee shall not take official action unless a majority of the voting members are present in person or via electronic communication.

ARTICLE IV REQUESTS FOR ASSISTANCE

- A. Party Responsibility. The Parties shall identify an Authorized Official and one or more alternates; provide contact information including 24-hour access; and maintain the resource information required contained in the member information form to be developed by the Statewide Committee. The Parties shall update this information as required by the bylaws.

In the event of an Emergency, a Party's Authorized Official may request Assistance from a Party's Utility. The Authorized Official must specifically state that Assistance is being requested under MnWARN to activate the provisions of this Agreement. Requests for Assistance can be made orally or in writing. When made orally, the request for Assistance shall be prepared in writing as soon as practicable. Requests for Assistance shall be directed to the Authorized Official of a Party. Specific protocols for requesting Assistance shall be established by the Statewide Committee.

- B. Response to a Request for Assistance. After a Party receives a request for Assistance, the Authorized Official should evaluate if resources are available to respond to the request for Assistance. Following the evaluation, the Responding Party's Authorized Official shall inform, as soon as possible, the Receiving Party's Authorized Official if it can provide Assistance. If Assistance is provided, the Responding Party shall inform the Receiving Party about the type of available resources and the approximate arrival time of such resources.
- C. Discretion of Responding Party's Authorized Official. Adoption of this Agreement does not create any duty to provide Assistance. When a Party receives a request for Assistance, the Authorized Official shall have absolute discretion to provide Assistance or to not provide Assistance. A Party's decision to provide Assistance or not provide Assistance shall be final. No Party nor any employee or officer of any Party shall be liable to any other Party or to any person for failure of any Party to furnish Assistance or for recalling Assistance.

ARTICLE V RESPONDING PARTY PERSONNEL

- A. National Incident Management System (NIMS). When providing Assistance under this Agreement, the Requesting Party's Utility and the Responding Party's Utility shall be organized and function under NIMS.
- B. Control. The personnel of a Responding Party providing Assistance shall be under the direction and control of the Receiving Party until the Responding Party's Authorized Official withdraws Assistance. The Receiving Party's Authorized Official shall coordinate response

activities with the Responding Party's Authorized Official. Whenever practical, Responding Party personnel should plan to be self sufficient for up to 72 hours.

- C. Food and Shelter. The Receiving Party shall supply reasonable food and shelter for Responding Party personnel for Assistance that is provided for more than 72 hours. If the Receiving Party is unable to provide food and shelter for a Responding Party's personnel, the Responding Party's Authorized Official or designee is authorized to secure food and shelter for its personnel and shall be entitled to reimbursement for such expenses from the Receiving Party. Reimbursement for food and shelter shall reflect the actual costs incurred by the Responding Party. If receipts are not available, the Responding Party cannot request reimbursement in excess of the State per diem rates for that area.
- D. Communication. The Receiving Party shall provide Responding Party personnel with radio equipment as available, or radio frequency information to program existing radios, in order to facilitate communication among personnel providing Assistance.
- E. Status. Unless otherwise provided by law, the Responding Party's officers and employees retain the same privileges, immunities, rights, duties, and benefits as provided in their respective jurisdictions.
- F. Licenses and Permits. To the extent permitted by law, Responding Party personnel who hold licenses, certificates, or permits evidencing professional, mechanical, or other skills shall be allowed to carry out activities and tasks relevant and related to their respective credentials during the Period of Assistance.
- G. Right to Withdraw. The Responding Party's Authorized Official retains the right to withdraw some or all of its resources at any time. Notice of intention to withdraw must be communicated to the Receiving Party's Authorized Official as soon as possible.

ARTICLE VI COST REIMBURSEMENT

Unless otherwise mutually agreed in whole or in part, the Receiving Party shall reimburse the Responding Party for each of the following categories of costs incurred while providing Assistance during the Period of Assistance.

- A. Personnel. A Responding Party shall be reimbursed for its actual costs paid to personnel providing Assistance during the Period of Assistance. The Responding Party's designated supervisor(s) must keep accurate records of work performed by personnel during the Period of Assistance. Reimbursement to the Responding Party must consider all personnel costs, such as salaries or hourly wages, including overtime, and costs for fringe benefits and indirect costs.
- B. Equipment. The Receiving Party shall reimburse the Responding Party for the use of equipment during a Period of Assistance pursuant to the Responding Party's rate schedule. If the Responding Party does not have a rate schedule, the rates for equipment use must be based on the Federal Emergency Management Agency's (FEMA) Schedule of Equipment Rates. If a Responding Party uses rates different from those in the FEMA Schedule of Equipment Rates, the Responding Party must provide such rates in writing to the Receiving Party prior to supplying Assistance. Reimbursement for equipment not referenced on a Party's rate schedule or the FEMA Schedule of Equipment Rates must be developed based on actual recovery of costs.

- C. Materials and Supplies. The Receiving Party must reimburse the Responding Party in kind or at actual replacement cost, plus handling charges, for use of expendable or non-returnable supplies. The Responding Party must not charge direct fees or rental charges to the Receiving Party for other supplies and reusable items that are returned to the Responding Party in a clean, damage-free condition. Reusable supplies that are returned to the Responding Party with damage must be treated as expendable supplies for purposes of cost reimbursement.
- D. Payment Period. The Responding Party must provide an itemized bill to the Receiving Party for all expenses it incurred as a result of providing Assistance under this Agreement. The Responding Party must send the itemized bill not later than ninety (90) days following the end of the Period of Assistance. The Receiving Party must pay the undisputed portion of the bill in full on or before the forty-fifth (45th) day following the billing date. Unpaid bills become delinquent upon the forty-sixth (46th) day following the billing date, and, once delinquent, the bill accrues interest at the standard rate of interest charged by the Responding Party for unpaid bills. If the Responding Party does not have a standard rate, the interest rate shall be the rate of prime, as reported by the *Wall Street Journal*, plus two percent (2%) per annum. Any undisputed amount must be resolved using the procedures set forth in Article VII.

ARTICLE VII DISPUTES

The Parties agree to act in good faith to undertake resolution of disputes, in an equitable and timely manner and in accordance with the provisions of this Agreement. If disputes cannot be resolved informally by the Parties, the following procedures shall be used:

- A. Mediation. If there is a failure between Parties to resolve a dispute on their own, the Parties shall first attempt to mediate the dispute. The Parties shall agree upon a mediator, or if they cannot agree, the Statewide Committee Chair shall select a mediator. If the Chair of the Statewide Committee, has a conflict of interest, the duty for selecting a mediator shall pass to the Vice-Chair.
- B. Arbitration. If the dispute remains unresolved following mediation, the dispute shall be submitted to arbitration under the Uniform Arbitration Act, Minnesota Statutes, Sections 572.08-.30. If the Parties cannot agree on one or more arbitrators, the arbitrator(s) shall be selected using the same procedure set forth for selecting a mediator. The decision of the majority of the arbitrators shall not be binding upon the Parties. If the arbitration decision is not accepted, the Parties may pursue any other legal remedy to resolve the dispute.

ARTICLE VIII RECEIVING PARTY'S DUTY TO INDEMNIFY

For the purposes Minnesota Municipal Tort Liability Act, Minnesota Statutes, Chapter 466, the employees and officers of the Responding Party are deemed to be employees (as defined in Minnesota Statutes, Section 466.01, subdivision 6) of the Receiving Party.

The Receiving Party shall defend, indemnify and hold harmless, the Responding Party, its officers, employees, volunteers and agents from all claims, loss, damage, injury, and liability of

every kind, nature, and description, directly or indirectly arising from the Responding Party's Assistance during the Period of Assistance. The scope of the Receiving Party's duty to indemnify includes, but is not limited to, suits arising from, or related to, negligent or wrongful use of equipment or supplies on loan to the Receiving Party, or faulty workmanship or other negligent acts, errors, or omissions by the Responding Party personnel. The Receiving Party shall not be required to defend and indemnify the Responding Party for any willful or wanton misconduct of the Responding Party or its officer, employees, volunteers or agents. Under no circumstances, however, shall a party be required to pay on behalf of itself and other parties, any amounts in excess of the limits of liability established in Minnesota Statutes, Chapter 466 applicable to any one party. The intent of this article is to impose on each Receiving Party a limited duty to defend and indemnify a Responding Party for claims arising within the Receiving Party's jurisdiction subject to the limits of liability under Minnesota Statutes, Chapter 466. The purpose of creating this duty to defend and indemnify is to simplify the defense of claims by eliminating conflicts among defendants and to permit liability claims against multiple defendants from a single occurrence to be defended by a single attorney.

The Receiving Party's duty to indemnify is subject to, and shall be applied consistent with, the conditions set forth in Article X.

ARTICLE IX DAMAGE TO EQUIPMENT

Each Party shall be responsible for damages to or loss of its own equipment. Each Party waives the right to sue any other Party for any damages to or loss of its equipment, even if the damages or losses were caused wholly or partially by the negligence of any other Party or its officers, employees, or volunteers.

ARTICLE X WORKERS' COMPENSATION

Each Party shall be responsible for injuries or death of its own personnel. Each Party will maintain workers' compensation insurance or self-insurance coverage, covering its personnel while they are providing Assistance pursuant to this Agreement. Each Party waives the right to sue another Party for any workers' compensation benefits paid to its own personnel while they are providing Assistance pursuant to this Agreement. Each Party waives the right to sue another Party for any workers' compensation benefits paid to its own employee or volunteer or their dependents, even if the injuries were caused wholly or partially by the negligence of another Party or its officers, employees or volunteers.

ARTICLE XI INSURANCE

Parties to this Agreement shall maintain the following liability coverages: (1) commercial general liability; and (2) automobile liability, including owned, hired, and non-owned automobiles. Each policy shall have a limit at least equal to the maximum municipal liability limit in Section 466.04, subd. 1. If the policy contains a general aggregate limit, the general aggregate limit shall not be less than double the maximum municipal liability limit in Section 466.04, subd. 1.

**ARTICLE XII
WITHDRAWAL**

A Party may withdraw from this Agreement by providing written notice of its intent to withdraw to the Statewide Committee Secretary. Withdrawal takes effect 60 days after notice is sent.

**ARTICLE XIII
INTRASTATE AND INTERSTATE MUTUAL AID AND ASSISTANCE PROGRAMS**

To the extent practicable, Parties to this Agreement are encouraged to participate in mutual aid and assistance activities conducted under the State of Minnesota Intrastate Mutual Aid and Assistance Program and the Interstate Emergency Management Assistance Compact (EMAC). Parties may voluntarily agree to participate in an interstate Mutual Aid and Assistance Program for Utilities through this Agreement if such a Program were established.

**ARTICLE XIV
NEW MEMBERS**

Other Governmental Units may be added to this Agreement upon approval of their governing body as evidenced by adoption of the resolution attached as Exhibit I to this Agreement and execution by the Governmental Unit's authorized representatives. A Governmental Unit shall not become a Party to this Agreement until a certified copy of the resolution is received by the Statewide Committee Secretary. The Statewide Committee Secretary shall maintain a master list of all Parties to this Agreement.

**ARTICLE XV
GENERAL PROVISIONS
MODIFICATION**

- A. Modification. No provision of this Agreement may be modified, altered or rescinded by individual parties to the Agreement. Modifications to this Agreement may be due to programmatic operational changes to support the Agreement. Modifications require a simple majority vote of the Parties to this Agreement. The Statewide Committee Secretary shall provide written notice to all Parties of approved modifications to this Agreement. Approved modifications take effect 60 days after the date upon which notice is sent to the Parties.
- B. Signatory Indemnification. In the event of a liability, claim, demand, action or proceeding of whatever kind or nature arising out of a Period of Assistance, the Parties who receive and provide Assistance shall indemnify and hold harmless those Parties whose involvement in the transaction or occurrence that is the subject of such claim, action, demand or other proceeding is limited to execution of this Agreement.
- C. Prohibition on Third Parties and Assignment of Rights/Duties. This Agreement is for the sole benefit of the Parties and no person or entity shall have any rights under this Agreement as a third-party beneficiary. Assignments of benefits and delegations of duties created by this Agreement are prohibited and are without effect.
- D. Notice. A Party who becomes aware of a claim or suit that in any way, directly or indirectly, contingently or otherwise, affects or might affect other Parties to this Agreement shall

provide prompt and timely notice to the Parties who may be affected by the suit or claim. Each Party reserves the right to participate in the defense of such claims or suits as necessary to protect its own interests.

- E. Effective Date. This Agreement shall be effective after approval by the Parties' governing body and execution by the Parties' authorized representatives.
- F. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Minnesota.
- G. Captions. Article and section headings contained in this Agreement are included for convenience only and form no part of the Agreement among the Parties.
- H. Waivers. The waiver by a Party of any breach or failure to comply with any provision of this Agreement by another Party shall not be construed as, or constitute a continuing waiver of such provision or a waiver of any other breach of or failure to comply with any other provision of this Agreement.
- I. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original, all of which shall constitute but one and the same instrument.
- J. Savings Clause. If any court finds any article, section or portion of this Agreement to be contrary to law or invalid, the remainder of the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the Parties, by action of their respective governing bodies, caused this Agreement to be approved on the dates below.

City of _____, Minnesota

The City Council of _____, Minnesota duly approved this Agreement on the _____ day of _____, 20__.

By: _____
Its Mayor

And: _____
Its Clerk

EXHIBIT I

RESOLUTION AUTHORIZING GOVERNMENTAL UNIT TO BE A PARTY TO MINNESOTA WATER AGENCY RESPONSE NETWORK (MnWARN)

WHEREAS, Minnesota Statutes, Section 471.59 authorizes governmental units by agreement of their governing bodies to jointly or cooperatively exercise any power common to them;

WHEREAS, MnWARN has been established by the adoption of a Mutual Aid Agreement (the Agreement) among Governmental Units to allow their water, wastewater and storm water utilities to assist each other in case of an emergency;

WHEREAS, the Agreement allows other governmental units to become a party to the Agreement by the adoption of this Resolution and sending notice to the Secretary of the Statewide Committee for MnWARN; and

WHEREAS, the governing body of [name of governmental unit] considers it to be in the best interests of the [City][County][Town] to be a party to the Agreement.

NOW, THEREFORE, BE IT RESOLVED, that [name of governmental unit]:

1. Authorizes [position title of designated employee or official] and [position title of designated employee or official] to sign this resolution evidencing the intent of [name of governmental unit] to be a party to MnWARN; and
2. [Name of designated employee or official] is directed to send a certified copy of this resolution and a completed membership information form to the Secretary of the Statewide Committee of MnWARN; and
3. [Name of political subdivision] agrees to comply with all terms of the Agreement.

IN WITNESS WHEREOF, [name of governmental unit], by action of its governing body, caused this Resolution to be approved on [Month/Date/Year].

By: _____

Its _____

And: _____

Its _____

RESOLUTION VACATING STREETS AND ALLEYS IN LEE'S ADDITION

WHEREAS: the City Council of the City of Blackduck has determined to vacate certain streets and alley in Lee's Addition.

WHEREAS: a public hearing was held on October 21, 1980 before the City Council in the City Hall after due published and posted notice had been given by the clerk on October 2 and October 9, 1980 and all persons interested were given and opportunity to be heard;

WHEREAS: it appears that it will be for the best interest of the City to vacate such streets and alleys;

WHEREAS: all the members of council concur in this resolution;

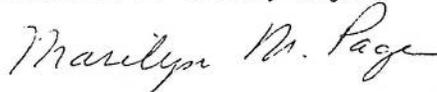
THEREFORE BE IT RESOLVED: that the streets and alleys described below are hereby vacated:

Fourth Street E. from Margaret Ave. to Northern Ave.
Morris Avenue to North Property Line of Lee's Addition.
Fifth Street E. from Margaret Avenue to North Property Line of Lee's Addition.
Northern Avenue from Fourth Street to Fifth Street.
Morris Avenue from Fourth Street to Fifth Street.
The alley from Margaret Avenue to the North Property Line of Lee's Addition running through blocks 4, 5, & 8 off Lee's Addition.

Resolution introduced by Max Gullette
Resolution seconded by Carl Fredrickson
Resolution passed unanimously

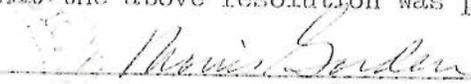
Whereupon the resolution was adopted at the October 21, 1980 meeting of the Blackduck City Council.

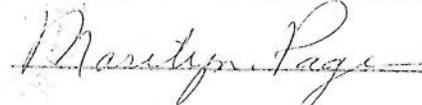

Russell J. Keute, Mayor



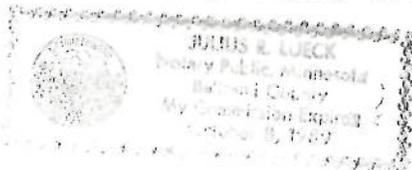
Attest: Marilyn Page, Clerk
City of Blackduck

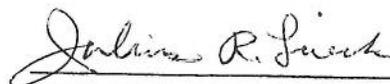
I certify that the above resolution was passed October 21, 1980.

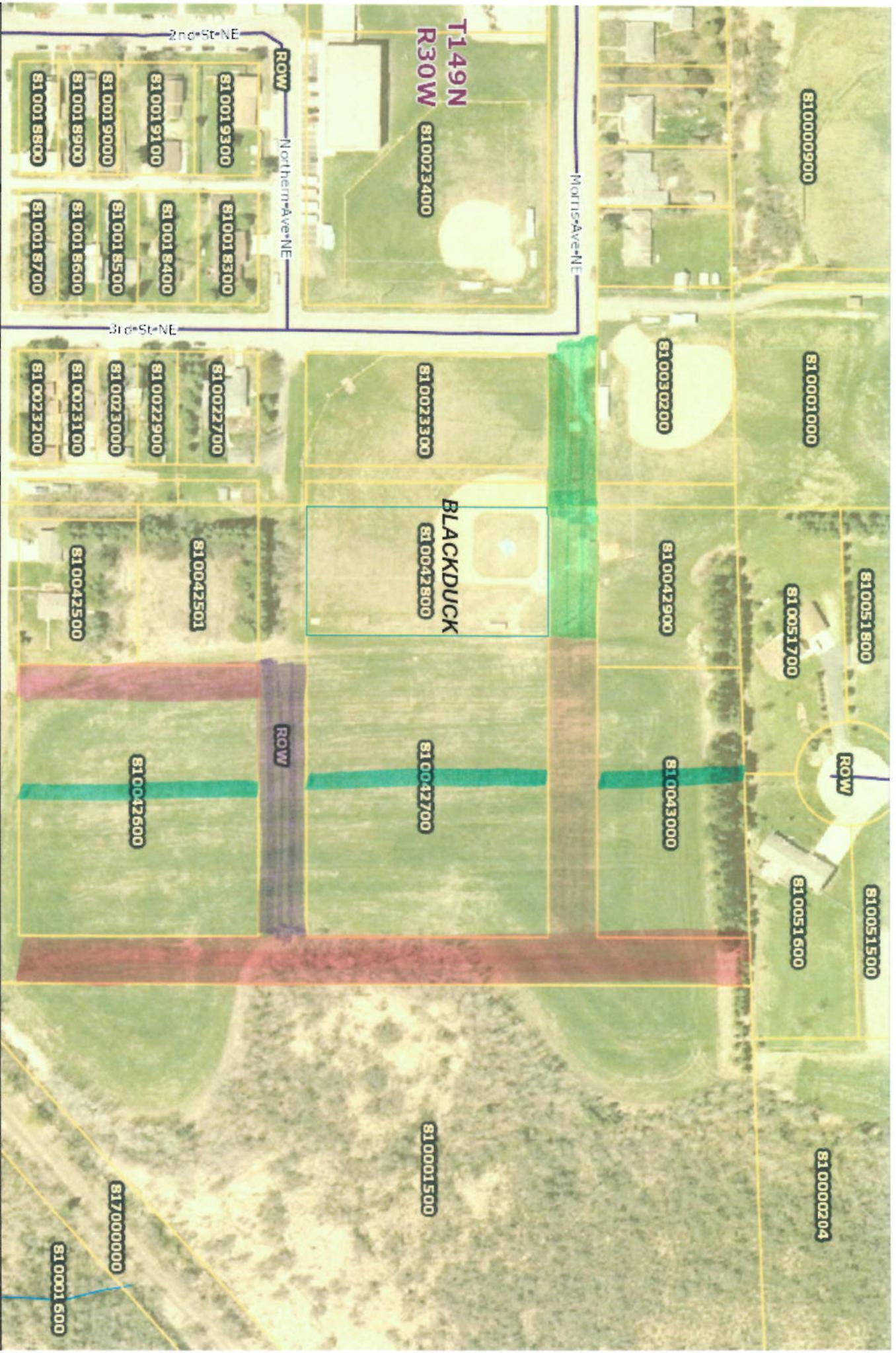
Signed:  A. Morris Gordon Mayor

Attested:  Marilyn Page, City Clerk

Signed before me, a Notary Public, in and for the State of Minnesota, County of Beltrami, this 4th day of February, 1983







These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

School Baseball Fields

1:2,817

This map is not a substitute for accurate field surveys or for locating actual property lines and any adjacent features.

Date: 5/25/2018

Beltrami County Minnesota



