

**CITY OF PERHAM  
PERHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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CITY OF PERHAM, MINNESOTA  
CITY OFFICIALS  
YEAR ENDED DECEMBER 31, 2018

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Mayor	Timothy Meehl
Councilman	James Johnson
Councilman	Fred Lehmkuhl
Councilman	Brad Schmidt
Councilman	Eric Spencer
City Manager	Jonathan Smith
Finance Officer	Patti Stokke

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Members of the City Council  
City of Perham  
Perham, 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 Perham, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the City'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 from material misstatement. Because of the matter described in the "Basis for Disclaimer Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component units.

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 City'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 City'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.

Except for the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Units” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Disclaimer Opinion on the Discretely Presented Component Units***

The financial statements of the discretely presented component units (Perham Area Community Center and Perham Golf Course) have not been audited, and we were not engaged to audit the discretely presented component units as part of our audit of the City’s basic financial statements.

***Disclaimer Opinion***

Because of the significance of the matter described in the “Basis for Disclaimer Opinion” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units of the City of Perham, Minnesota. Accordingly, we do not express an opinion on these financial statements.

***Unmodified 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 Perham, Minnesota, as of December 31, 2018, 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, schedule of City contributions, schedule of City’s share of net pension liability, schedule of net pension liability and related ratios, schedule of employer contributions, and notes to the required supplementary information 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 Perham, Minnesota’s basic financial statements. The combining nonmajor fund statements, schedule of changes in fund balances and net position, and schedule of indebtedness as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of changes in fund balances and net position, and schedule of indebtedness 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 nonmajor fund

financial statements, schedule of changes in fund balances and net position, and schedule of indebtedness are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of the City of Perham, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

May 21, 2019

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**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

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As management of the City of Perham, we offer readers of the City of Perham's financial statements this narrative overview and analysis of the financial activities of the City of Perham for the fiscal year ended December 31, 2018. Please read it in conjunction with the City's financial statements, which immediately follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$49,198,036 (net position). Of this amount, \$8,180,321 may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$891,666, or 51% of the total general fund expenditures, an increase of \$18,058 over the year ended 2017.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources with the difference 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.

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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and airport. The business-type activities of the City include, liquor, gas, sewer and wastewater, water, and recycling.

The government-wide financial statements include not only the City of Perham itself (known as the *primary government*), but also a legally separate Community Center and a legally separate Golf Course for which the City of Perham is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Complete financial statements for the individual component units may be obtained at the City's administrative office.

Perham Area Community Center  
620 Third Avenue Southeast  
Perham, Minnesota 56573

Perham Lakeside Golf Club  
2727 450<sup>th</sup> Street  
Perham, Minnesota 56573

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

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well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Economic Development Revolving Loan, 1996 IRP Loan Program, TIF Districts, 2015 G.O. Improvement Bonds, and Permanent Improvement Fund, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains five different types of proprietary 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 liquor operations, gas, sewer and wastewater, water, and recycling.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquor operations, gas, sewer and wastewater, and water, all of which are considered major funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on budgetary comparisons, net pension liability schedules, and notes to the required supplementary information.

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,198,036 at the close of the most recent fiscal year.

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 13,063,940	\$ 13,021,578	\$ 7,794,206	\$ 6,758,960	\$ 20,858,146	\$ 19,780,538
Capital Assets	27,437,373	28,247,967	24,707,806	24,863,531	52,145,179	53,111,498
Total Assets	<u>40,501,313</u>	<u>41,269,545</u>	<u>32,502,012</u>	<u>31,622,491</u>	<u>73,003,325</u>	<u>72,892,036</u>
Deferred Outflows of Resources	<u>577,757</u>	<u>745,488</u>	<u>109,018</u>	<u>169,861</u>	<u>686,775</u>	<u>915,349</u>
Long-term Liabilities	13,033,831	14,079,590	9,080,000	9,946,353	22,113,831	24,025,943
Other Liabilities	414,493	535,447	1,007,059	950,984	1,421,552	1,486,431
Total Liabilities	<u>13,448,324</u>	<u>14,615,037</u>	<u>10,087,059</u>	<u>10,897,337</u>	<u>23,535,383</u>	<u>25,512,374</u>
Deferred Inflows of Resources	<u>809,974</u>	<u>821,035</u>	<u>146,707</u>	<u>118,445</u>	<u>956,681</u>	<u>939,480</u>
Net Position						
Net Investment in Capital						
Assets	15,835,992	15,804,462	16,262,478	15,620,130	32,098,470	31,424,592
Restricted	7,927,014	7,927,014	992,231	874,273	8,919,245	8,801,287
Unrestricted	3,057,766	2,847,485	5,122,555	4,282,167	8,180,321	7,129,652
Total Net Position	<u>\$ 26,820,772</u>	<u>\$ 26,578,961</u>	<u>\$ 22,377,264</u>	<u>\$ 20,776,570</u>	<u>\$ 49,198,036</u>	<u>\$ 47,355,531</u>

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 separate governmental and business-type activities. The same situation held true for the prior year.

The City's investment in capital assets represents capital assets (e.g., land, construction in process, buildings, improvements other than buildings, machinery and equipment, general plant and system, furniture and fixtures), less any related debt used to acquire assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 421,605	\$ 358,211	\$ 12,760,653	\$ 12,201,552	\$ 13,182,258	\$ 12,559,763
Operating Grants and Contributions	502,007	1,163,467			502,007	1,163,467
Capital Grants and Contributions	55,419	820,877	401,118		456,537	820,877
General Revenues						
Taxes	2,445,233	2,272,112			2,445,233	2,272,112
Unrestricted State Aid	619,066	605,039	3,233	1,883	622,299	606,922
Unrestricted Investment Earnings	268,003	198,882	84,099	40,785	352,102	239,667
Gain on Sale of Capital Assets	11,101	32,214		30,169	11,101	62,383
Other General Revenue	53,763	68,752			53,763	68,752
Total Revenues	<u>4,376,197</u>	<u>5,519,554</u>	<u>13,249,103</u>	<u>12,274,389</u>	<u>17,625,300</u>	<u>17,793,943</u>
Expenses						
General Government	365,337	320,651			365,337	320,651
Public Safety	1,040,750	1,057,282			1,040,750	1,057,282
Public Works	1,172,932	1,021,855			1,172,932	1,021,855
Culture and Recreation	854,756	785,614			854,756	785,614
Economic Development	926,311	1,367,639			926,311	1,367,639
Airport	125,842	97,346			125,842	97,346
Interest on Long-term Debt	292,402	301,725			292,402	301,725
Municipal Liquor			3,032,861	2,993,640	3,032,861	2,993,640
Gas			6,129,879	5,876,485	6,129,879	5,876,485
Sewer and Wastewater			1,120,626	1,115,170	1,120,626	1,115,170
Water			642,177	654,119	642,177	654,119
Recycling			78,922	86,078	78,922	86,078
Total Expenses	<u>4,778,330</u>	<u>4,952,112</u>	<u>11,004,465</u>	<u>10,725,492</u>	<u>15,782,795</u>	<u>15,677,604</u>
Change in Net Position Before Transfers	(402,133)	567,442	2,244,638	1,548,897	1,842,505	2,116,339
Transfers	<u>643,944</u>	<u>(250,353)</u>	<u>(643,944)</u>	<u>250,353</u>		
Change in Net Position	<u>241,811</u>	<u>317,089</u>	<u>1,600,694</u>	<u>1,799,250</u>	<u>1,842,505</u>	<u>2,116,339</u>
Net Position - January 1	<u>26,578,961</u>	<u>26,261,872</u>	<u>20,776,570</u>	<u>18,977,320</u>	<u>47,355,531</u>	<u>45,239,192</u>
Net Position - December 31	<u>\$ 26,820,772</u>	<u>\$ 26,578,961</u>	<u>\$ 22,377,264</u>	<u>\$ 20,776,570</u>	<u>\$ 49,198,036</u>	<u>\$ 47,355,531</u>

**Governmental activities.** Governmental activities increased the City's net position by \$241,811. A key element of the increase is as follows:

- Capital Outlays less depreciation and the reduction of debt

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

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**Business-type activities.** Business-type activities increased the City's net position by \$1,600,694. Key elements of this increase are as follows:

- The gas, water, sewer and wastewater, and liquor store funds increased due to operating revenues exceeding expenditures.

**Financial Analysis of the Government's Funds**

As noted earlier, 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. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Major Funds**

	Fund Balance / Net Position		Increase (Decrease)	Percentage Increase (Decrease)
	12/31/2018	12/31/2017		
<b>Governmental Funds</b>				
General Fund	\$ 891,666	\$ 873,608	\$ 18,058	2%
<b>Economic Development</b>				
Revolving Loan	1,838,152	1,997,085	(158,933)	-8%
1996 IRP Loan Program	2,011,953	2,040,034	(28,081)	-1%
TIF Districts	861,039	681,210	179,829	26%
2015 Improvement Bonds	445,275	406,520	38,755	10%
Permanent Improvement	356,859	200,440	156,419	78%
<b>Proprietary Funds</b>				
Gas	4,278,940	3,613,568	665,372	18%
Sewer and Wastewater	9,715,033	9,173,903	541,130	6%
Water	5,909,246	5,858,970	50,276	1%
Municipal Liquor	2,352,415	2,016,834	335,581	17%

**General Fund Budgetary Highlights**

During the year the City amended the budget to reflect contributions, additional approved expenses and revenues, and transfers needed during the year.

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$52,145,179 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings (streets, storm sewer, distribution system, and other infrastructure), and machinery and equipment.

**Capital Assets  
(Net of Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 531,274	\$ 530,246	\$ 1,517,234	\$ 1,517,234	\$ 2,048,508	\$ 2,047,480
Construction In Process	90,063	25,194			90,063	25,194
Buildings	6,679,820	6,934,985	743,663	768,957	7,423,483	7,703,942
Improvements Other Than Buildings	18,084,561	18,579,849	20,022,417	20,172,992	38,106,978	38,752,841
Machinery and Equipment	2,051,655	2,177,693	2,424,492	2,404,348	4,476,147	4,582,041
Total	<u>\$ 27,437,373</u>	<u>\$ 28,247,967</u>	<u>\$ 24,707,806</u>	<u>\$ 24,863,531</u>	<u>\$ 52,145,179</u>	<u>\$ 53,111,498</u>

Major capital assets events during the current fiscal year included the following:

- Street improvement projects

Additional information on the City's capital assets can be found in Note 4 of this report.

**Long-term Liabilities.** At the end of the current fiscal year, the City had \$20,379,248 in bonds and other long-term obligations.

**Outstanding Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 9,354,000	\$ 10,227,000	\$ 1,420,000	\$ 1,670,000	\$ 10,774,000	\$ 11,897,000
General Obligation Revenue Bonds	2,051,000	2,003,784	4,372,000	4,686,000	6,423,000	6,689,784
Revenue Bonds			2,605,000	2,790,000	2,605,000	2,790,000
Loans Payable	577,248	694,206		40,313	577,248	734,519
Total	<u>\$ 11,982,248</u>	<u>\$ 12,924,990</u>	<u>\$ 8,397,000</u>	<u>\$ 9,186,313</u>	<u>\$ 20,379,248</u>	<u>\$ 22,111,303</u>

Additional information on the City's long-term debt can be found in Note 9 of this report.

**Economic Factors**

The City has been experiencing growth in the commercial and industrial sectors creating the need for improvements of storm sewer infrastructure and water/wastewater/gas supply extensions.

Water and wastewater capacity has been improved greatly over the past few years. The City will need to continue to stay ahead of growth of its largest customers and that of the residential development as well.

The liquor fund has again experienced increased revenues attributed to a larger customer base, a wide variety of inventory, competitive pricing, and its location with highway exposure.

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2018**

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The gas fund has proven profitable and the City continues to explore future growth opportunities. Associated debt may be necessary if such expansions are found to be financially feasible.

Generally, the economic conditions of the community are stable. The City has experienced major additions in both housing and industry. The 2018 building permits showed significant additions. Residential permits totaled over \$1,826,687. Commercial and industrial permits totaled over \$17,052,021 with commercial and industrial additions leading to an increase of job growth. Job growth is steadily increasing. Property valuations have increased. Future years will require additional bonding and construction projects related to replacing and improving existing infrastructure and utility extensions to keep pace with the community's continued industrial, commercial, and residential growth.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Officer, City of Perham, 125 Second Avenue N.E., P.O. Box 130, Perham, MN 56573.

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Exhibit A-1**

	Primary Government			Component Units (UNAUDITED)	
	Governmental Activities	Business-type Activities	Total	Perham Area Community Center	Perham Golf Course
<b>ASSETS</b>					
Cash and Investments	\$ 7,380,319	\$ 5,129,581	\$ 12,509,900	\$ 557,099	\$ 3,628
Receivables					
Accounts (Net of Allowance)	35,419	1,007,574	1,042,993	30,327	9,678
Interest Receivable	49,266		49,266		
Current Taxes	12,288		12,288		
Delinquent Taxes	15,311		15,311		
Special Assessments	3,905,619		3,905,619		
Notes Receivable (Net of Allowance)	1,664,330	13,157	1,677,487		
Internal Balances	(300,980)	300,980			
Due from Other Governments	6,280		6,280		
Inventory		350,683	350,683	2,420	63,909
Restricted Cash:					
Bond Covenants		992,231	992,231		
Deferred Charges				1,734	
Net Pension Asset - VFD	296,088		296,088		
Capital Assets					
Land	531,274	1,517,234	2,048,508	41,130	
Construction In Process	90,063		90,063	58,291	
Buildings	9,332,548	1,002,684	10,335,232	3,206,891	
Improvements Other than Buildings	24,966,958	30,462,394	55,429,352		466,366
Machinery and Equipment	4,288,726	3,596,954	7,885,680	767,236	1,167,758
Less: Accumulated Depreciation	(11,772,196)	(11,871,460)	(23,643,656)	(2,538,473)	(1,034,085)
Total Capital Assets, Net of Depreciation	<u>27,437,373</u>	<u>24,707,806</u>	<u>52,145,179</u>	<u>1,535,075</u>	<u>600,039</u>
<b>TOTAL ASSETS</b>	<u>40,501,313</u>	<u>32,502,012</u>	<u>73,003,325</u>	<u>2,126,655</u>	<u>677,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Cost Sharing Defined Benefit Pension Plan	<u>577,757</u>	<u>109,018</u>	<u>686,775</u>		
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>577,757</u>	<u>109,018</u>	<u>686,775</u>		
<b>LIABILITIES</b>					
Accounts Payable	222,069	889,917	1,111,986	17,998	19,004
Accrued Payroll	4,376	4,538	8,914	29,371	5,041
Payroll Withholding	72,470		72,470		
Revolving Line of Credit					274,930
Consumer Deposits		57,425	57,425		
Unearned Revenue		4,682	4,682	154,462	1,500
Accrued Interest Payable	115,578	50,497	166,075		3,935
Noncurrent Liabilities					
Net Pension Liability	735,278	539,088	1,274,366		
Due Within One Year	1,336,567	809,847	2,146,414		53,291
Due in More than One Year	10,961,986	7,731,065	18,693,051		168,215
<b>TOTAL LIABILITIES</b>	<u>13,448,324</u>	<u>10,087,059</u>	<u>23,535,383</u>	<u>201,831</u>	<u>525,916</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Cost Sharing Defined Benefit Pension Plan	<u>809,974</u>	<u>146,707</u>	<u>956,681</u>		
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>809,974</u>	<u>146,707</u>	<u>956,681</u>		
<b>NET POSITION</b>					
Net Investment in Capital Assets	15,835,992	16,262,478	32,098,470	1,476,784	378,533
Restricted for:					
Park	50,000		50,000		
TIF Districts	689,668		689,668		
Marketing	32,154		32,154		
Debt Service	7,155,192		7,155,192		
Bond Covenants		992,231	992,231		
Unrestricted	<u>3,057,766</u>	<u>5,122,555</u>	<u>8,180,321</u>	<u>448,040</u>	<u>(227,195)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 26,820,772</u>	<u>\$ 22,377,264</u>	<u>\$ 49,198,036</u>	<u>\$ 1,924,824</u>	<u>\$ 151,338</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

**Exhibit A-2**

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			Component Units (UNAUDITED)	
					Governmental Activities	Business-type Activities	Total	Perham Area Community Center	Perham Golf Course
<i>Primary Government:</i>									
<i>Governmental Activities:</i>									
General Government	\$ 365,337	\$ 182,333	\$ 56,650	\$	\$ (126,354)	\$	\$ (126,354)	\$	\$
Public Safety	1,040,750	85,241	207,957		(747,552)		(747,552)		
Public Works	1,172,932	46,042	73,435	55,419	(998,036)		(998,036)		
Culture and Recreation	854,756	7,457	46,194		(801,105)		(801,105)		
Economic Development	926,311	23,286	79,172		(823,853)		(823,853)		
Airport	125,842	77,246	26,001		(22,595)		(22,595)		
Interest on Long-term Debt	292,402		12,598		(279,804)		(279,804)		
<b>Total Governmental Activities</b>	<b>4,778,330</b>	<b>421,605</b>	<b>502,007</b>	<b>55,419</b>	<b>(3,799,299)</b>		<b>(3,799,299)</b>		
<i>Business-type Activities:</i>									
Municipal Liquor	3,032,861	3,529,031				496,170	496,170		
Gas	6,129,879	6,962,339				832,460	832,460		
Sewer and Wastewater	1,120,626	1,368,097		401,118		648,589	648,589		
Water	642,177	815,153				172,976	172,976		
Recycling	78,922	86,033				7,111	7,111		
<b>Total Business-type Activities</b>	<b>11,004,465</b>	<b>12,760,653</b>		<b>401,118</b>		<b>2,157,306</b>	<b>2,157,306</b>		
<b>Total Primary Government</b>	<b>\$ 15,782,795</b>	<b>\$ 13,182,258</b>	<b>\$ 502,007</b>	<b>\$ 456,537</b>	<b>(3,799,299)</b>	<b>2,157,306</b>	<b>(1,641,993)</b>		
<i>Component Unit:</i>									
Perham Area Community Center	\$ 1,153,861	\$ 1,033,925	\$	\$ 49,234				(70,702)	
Perham Golf Course	1,395,350	1,268,714	115,001						(11,635)
<b>Total Component Units</b>	<b>\$ 2,549,211</b>	<b>\$ 2,302,639</b>	<b>\$ 115,001</b>	<b>\$ 49,234</b>				<b>(70,702)</b>	<b>(11,635)</b>
<i>General Revenues:</i>									
Property Taxes					2,328,655		2,328,655		
Hotel/Motel Taxes					49,709		49,709		
Taxes Franchise Fees					66,869		66,869		
Unrestricted State Aid					619,066	3,233	622,299		
Unrestricted Investment Earnings					268,003	84,099	352,102	2,219	
Gain on Sale of Capital Assets					11,101		11,101		
Other General Revenue					53,763		53,763		
Transfers					643,944	(643,944)			
<b>Total General Revenues and Transfers</b>					<b>4,041,110</b>	<b>(556,612)</b>	<b>3,484,498</b>	<b>2,219</b>	
Change in Net Position					241,811	1,600,694	1,842,505	(68,483)	(11,635)
Net Position - January 1					26,578,961	20,776,570	47,355,531	1,993,307	162,973
Net Position - December 31					<b>\$ 26,820,772</b>	<b>\$ 22,377,264</b>	<b>\$ 49,198,036</b>	<b>\$ 1,924,824</b>	<b>\$ 151,338</b>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

**Exhibit A-3**

	<u>General</u>	<u>Economic Development Revolving Loan</u>	<u>1996 IRP Loan Program</u>	<u>TIF Districts</u>	<u>2015 G.O. Improve- ment Bonds</u>	<u>Permanent Improvement</u>	<u>Total Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
<b>ASSETS</b>								
Cash and Investments	\$ 870,128	\$ 889,840	\$ 1,297,822	\$ 868,105	\$ 444,484	\$ 693,344	\$ 2,316,596	\$ 7,380,319
Receivables								
Accounts	10,868					30	24,521	35,419
Interest	49,266							49,266
Tax								
Current	3,856	616			791	1,517	5,508	12,288
Delinquent	1,388	222		10,887	285	546	1,983	15,311
Special Assessments								
Delinquent	43				697		11,729	12,469
Noncurrent					832,980	357,728	2,702,442	3,893,150
Notes Receivable		948,935	715,395					1,664,330
Due from Other Funds	58,784							58,784
Due from Other Governments	6,280							6,280
<b>TOTAL ASSETS</b>	<b>\$ 1,000,613</b>	<b>\$ 1,839,613</b>	<b>\$ 2,013,217</b>	<b>\$ 878,992</b>	<b>\$ 1,279,237</b>	<b>\$ 1,053,165</b>	<b>\$ 5,062,779</b>	<b>\$ 13,127,616</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 31,587	\$ 796	\$ 1,264	\$ 7,064	\$	\$ 37,052	\$ 144,306	\$ 222,069
Accrued Payroll	3,459	443					474	4,376
Payroll Withholding	72,470							72,470
Due to Other Funds						300,980	58,784	359,764
Total Liabilities	<u>107,516</u>	<u>1,239</u>	<u>1,264</u>	<u>7,064</u>		<u>338,032</u>	<u>203,564</u>	<u>658,679</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue	1,431	222		10,889	833,962	358,274	2,716,154	3,920,932
Total Deferred Inflows of Resources	<u>1,431</u>	<u>222</u>		<u>10,889</u>	<u>833,962</u>	<u>358,274</u>	<u>2,716,154</u>	<u>3,920,932</u>
<b>FUND BALANCES</b>								
Nonspendable - Endowment							50,000	50,000
Restricted for:								
TIF District				861,039				861,039
Marketing							38,248	38,248
Debt Service			2,011,953		445,275		1,505,909	3,963,137
Committed for:								
Development		227,275						227,275
Revolving Loans		1,610,877						1,610,877
Library							84,309	84,309
Fire and Rescue							278,201	278,201
Storm Sewer							152,128	152,128
Assigned for:								
Fairgrounds						120,870		120,870
PACC						8,905		8,905
Park							10,719	10,719
Capital Projects						227,084	99,131	326,215
Unassigned	891,666						(75,584)	816,082
Total Fund Balances	<u>891,666</u>	<u>1,838,152</u>	<u>2,011,953</u>	<u>861,039</u>	<u>445,275</u>	<u>356,859</u>	<u>2,143,061</u>	<u>8,548,005</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,000,613</b>	<b>\$ 1,839,613</b>	<b>\$ 2,013,217</b>	<b>\$ 878,992</b>	<b>\$ 1,279,237</b>	<b>\$ 1,053,165</b>	<b>\$ 5,062,779</b>	<b>\$ 13,127,616</b>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Exhibit A-4**

Total fund balances - governmental funds	\$ 8,548,005
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	39,209,569
Less accumulated depreciation	(11,772,196)
Deferred outflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	577,757
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(11,405,000)
Net Pension Liability	(735,278)
Other Long-Term Obligations	(577,248)
Issuance Premiums and Discounts (to be amortized as interest expense)	(196,379)
Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and, therefore are not reported in the governmental funds.	(809,974)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(115,578)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(119,926)
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	296,088
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>3,920,932</u>
Net position - governmental activities	<u>\$ 26,820,772</u>

**CITY OF PERHAM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

**Exhibit A-5**

	<u>General</u>	<u>Economic Develop- ment Revolving Loan</u>	<u>1996 IRP Loan Program</u>	<u>TIF Districts</u>	<u>2015 G.O. Improve- ment Bonds</u>	<u>Permanent Improve- ment</u>	<u>Total Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
<b>REVENUES</b>								
Property Taxes	\$ 428,321	\$ 74,249	\$	\$ 938,635	\$ 88,130	\$ 177,267	\$ 615,689	\$ 2,322,291
Hotel/Motel Tax							49,709	49,709
Special Assessments	2,311				86,886	30,015	494,726	613,938
Licenses and Permits	116,785							116,785
Intergovernmental								
Federal							12,598	12,598
State	690,496	247				29,310	46,740	766,793
Local	14,674						224,304	238,978
Charges for Services	119,451	23,125					104,195	246,771
Fines and Forfeitures	18,235							18,235
Miscellaneous								
Interest on Loans Receivable		33,177	45,995					79,172
Interest on Investments	35,750	15,507	11,622	6,822	5,832	20,640	30,334	126,507
Rents						42,195		42,195
Contributions	3,740					42,078	7,022	52,840
Reimbursements	32,189		15				2,319	34,523
Other Receipts	69,024	212	8,303			501	5,689	83,729
Total Revenues	<u>1,530,976</u>	<u>146,517</u>	<u>65,935</u>	<u>945,457</u>	<u>180,848</u>	<u>342,006</u>	<u>1,593,325</u>	<u>4,805,064</u>
<b>EXPENDITURES</b>								
Current								
General Government	302,126							302,126
Public Safety	694,859						254,702	949,561
Public Works	343,691						33,998	377,689
Culture and Recreation	351,513						198,064	549,577
Economic Development		326,450	15	552,628			44,000	923,093
Airport	67,038							67,038
Debt Service								
Principal			66,958		189,645	95,000	810,201	1,161,804
Interest			6,043		51,465	31,356	229,942	318,806
Fees					450		3,948	4,398
Capital Outlay								
Public Safety						28,750		28,750
Public Works						90,345	280,007	370,352
Culture and Recreation						124,232		124,232
Airport						9,454		9,454
Total Expenditures	<u>1,759,227</u>	<u>326,450</u>	<u>73,016</u>	<u>552,628</u>	<u>241,560</u>	<u>379,137</u>	<u>1,854,862</u>	<u>5,186,880</u>
REVENUES OVER (UNDER)								
EXPENDITURES	<u>(228,251)</u>	<u>(179,933)</u>	<u>(7,081)</u>	<u>392,829</u>	<u>(60,712)</u>	<u>(37,131)</u>	<u>(261,537)</u>	<u>(381,816)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Debt Issued							219,062	219,062
Sale of Capital Asset	2,400						4,500	6,900
Transfers In	243,909	21,000		110	99,467	224,237	390,143	978,866
Transfers Out			(21,000)	(213,110)		(30,687)	(70,125)	(334,922)
Total Other Financing Sources (Uses)	<u>246,309</u>	<u>21,000</u>	<u>(21,000)</u>	<u>(213,000)</u>	<u>99,467</u>	<u>193,550</u>	<u>543,580</u>	<u>869,906</u>
NET CHANGE IN FUND BALANCES	<u>18,058</u>	<u>(158,933)</u>	<u>(28,081)</u>	<u>179,829</u>	<u>38,755</u>	<u>156,419</u>	<u>282,043</u>	<u>488,090</u>
FUND BALANCE, JANUARY 1	<u>873,608</u>	<u>1,997,085</u>	<u>2,040,034</u>	<u>681,210</u>	<u>406,520</u>	<u>200,440</u>	<u>1,861,018</u>	<u>8,059,915</u>
FUND BALANCE, DECEMBER 31	<u>\$ 891,666</u>	<u>\$ 1,838,152</u>	<u>\$ 2,011,953</u>	<u>\$ 861,039</u>	<u>\$ 445,275</u>	<u>\$ 356,859</u>	<u>\$ 2,143,061</u>	<u>\$ 8,548,005</u>

See Notes to the Financial Statements

**CITY OF PERHAM, 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, 2018**

**Exhibit A-6**

Total net change in fund balances - governmental funds	\$ 488,090
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	416,886
Depreciation expense	(1,226,680)
The net effect of various capital asset transactions decreases net position.	(800)
Proceeds from long-term debt provide current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(219,062)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,161,804
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	26,402
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(439,965)
Change in deferred outflows and inflows of resources related to net pension liability	(156,670)
Change in net pension asset	105,129
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Compensated Absences	(22,743)
Net Pension Liability	109,420
Change in net position - governmental activities	<u>\$ 241,811</u>

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

**Exhibit A-7**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Investments	\$ 1,077,703	\$ 1,157,105	\$ 1,448,966	\$ 1,355,738	\$ 90,069	\$ 5,129,581
Accounts Receivable (Net of Allowance)	769,302	172,249	58,311	289	7,423	1,007,574
Special Assessments Receivable						
Noncurrent						
Notes Receivable	13,157					13,157
Due from Other Funds			300,980			300,980
Inventory				350,683		350,683
Total Current Assets	<u>1,860,162</u>	<u>1,329,354</u>	<u>1,808,257</u>	<u>1,706,710</u>	<u>97,492</u>	<u>6,801,975</u>
<b>NONCURRENT ASSETS</b>						
Restricted Cash:						
Bond Covenants	308,935	683,296				992,231
Capital Assets						
Land	7,000	779,878	509,593	220,763		1,517,234
Buildings	6,000	45,210		951,474		1,002,684
Machinery and Equipment	2,558,181	695,600	109,983	133,541	99,649	3,596,954
Improvements Other than Buildings	8,654,177	14,454,781	7,353,436			30,462,394
Less: Accumulated Depreciation	<u>(4,304,719)</u>	<u>(4,966,301)</u>	<u>(2,227,114)</u>	<u>(307,952)</u>	<u>(65,374)</u>	<u>(11,871,460)</u>
Total Capital Assets	<u>6,920,639</u>	<u>11,009,168</u>	<u>5,745,898</u>	<u>997,826</u>	<u>34,275</u>	<u>24,707,806</u>
Total Noncurrent Assets	<u>7,229,574</u>	<u>11,692,464</u>	<u>5,745,898</u>	<u>997,826</u>	<u>34,275</u>	<u>25,700,037</u>
Total Assets	<u>9,089,736</u>	<u>13,021,818</u>	<u>7,554,155</u>	<u>2,704,536</u>	<u>131,767</u>	<u>32,502,012</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Cost Sharing Defined Benefit Pension Plan	35,075	19,908	19,908	33,179	948	109,018
Total Deferred Outflows of Resources	<u>35,075</u>	<u>19,908</u>	<u>19,908</u>	<u>33,179</u>	<u>948</u>	<u>109,018</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	634,164	50,431	44,661	155,879	4,782	889,917
Accrued Payroll	1,134	677	677	1,937	113	4,538
Consumer Deposits	55,725		1,700			57,425
Accrued Interest Payable	20,419	15,292	14,786			50,497
Unearned Revenue	4,682					4,682
Current Portion - Long Term Liabilities	375,209	253,877	173,463	7,298		809,847
Total Current Liabilities	<u>1,091,333</u>	<u>320,277</u>	<u>235,287</u>	<u>165,114</u>	<u>4,895</u>	<u>1,816,906</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds Payable, Net	3,875,780	3,113,548	1,456,000			8,445,328
Compensated Absences	33,321	21,513	21,761	18,764	225	95,584
Net Pension Liability	173,445	98,442	98,442	164,070	4,689	539,088
Less: Current Portion of						
Long Term Liabilities	<u>(375,209)</u>	<u>(253,877)</u>	<u>(173,463)</u>	<u>(7,298)</u>		<u>(809,847)</u>
Total Noncurrent Liabilities	<u>3,707,337</u>	<u>2,979,626</u>	<u>1,402,740</u>	<u>175,536</u>	<u>4,914</u>	<u>8,270,153</u>
Total Liabilities	<u>4,798,670</u>	<u>3,299,903</u>	<u>1,638,027</u>	<u>340,650</u>	<u>9,809</u>	<u>10,087,059</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Cost Sharing Defined Benefit Pension Plan	47,201	26,790	26,790	44,650	1,276	146,707
Total Deferred Inflows of Resources	<u>47,201</u>	<u>26,790</u>	<u>26,790</u>	<u>44,650</u>	<u>1,276</u>	<u>146,707</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,044,859	7,895,620	4,289,898	997,826	34,275	16,262,478
Restricted for Bond Covenants	308,935	683,296				992,231
Unrestricted	925,146	1,136,117	1,619,348	1,354,589	87,355	5,122,555
Total Net Position	<u>\$ 4,278,940</u>	<u>\$ 9,715,033</u>	<u>\$ 5,909,246</u>	<u>\$ 2,352,415</u>	<u>\$ 121,630</u>	<u>\$ 22,377,264</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

**Exhibit A-8**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>						
Sales	\$ 6,846,260	\$	\$	\$ 3,491,458	\$	\$ 10,337,718
Cost of Sales	5,085,152			2,509,260		7,594,412
Gross Profit	1,761,108			982,198		2,743,306
Charges for Services	17,673	1,258,161	801,425		84,187	2,161,446
Other Services	79,747	77,980	11,486	374	917	170,504
Total Operating Revenues	<u>1,858,528</u>	<u>1,336,141</u>	<u>812,911</u>	<u>982,572</u>	<u>85,104</u>	<u>5,075,256</u>
<b>OPERATING EXPENSES</b>						
Purchased Services					55,769	55,769
Professional Fees	119,585	44,180	37,724	16,036	34	217,559
Salaries and Benefits	285,330	151,190	166,387	321,528	10,201	934,636
Utilities	11,330	301,839	41,280	17,113		371,562
Maintenance and Supplies	110,260	97,481	153,597	24,341	3,386	389,065
Insurance	17,984	19,425	5,399	12,148	626	55,582
Depreciation	268,496	425,460	181,250	31,983	6,097	913,286
Other Expenses	85,466	39,332	14,090	98,052	2,809	239,749
Total Operating Expenses	<u>898,451</u>	<u>1,078,907</u>	<u>599,727</u>	<u>521,201</u>	<u>78,922</u>	<u>3,177,208</u>
Income	<u>960,077</u>	<u>257,234</u>	<u>213,184</u>	<u>461,371</u>	<u>6,182</u>	<u>1,898,048</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>						
Intergovernmental						
State	741	432	1,720	309	31	3,233
Interest on Investments	16,222	21,911	29,421	15,352	1,193	84,099
Special Assessments		13	70			83
Refunds and Reimbursements	18,659	31,943	2,172	37,199	929	90,902
Contributions Made				(2,400)		(2,400)
Interest Expense	(146,276)	(41,719)	(42,450)			(230,445)
Total Nonoperating Revenue (Expense)	<u>(110,654)</u>	<u>12,580</u>	<u>(9,067)</u>	<u>50,460</u>	<u>2,153</u>	<u>(54,528)</u>
Income before Contributions and Transfers	849,423	269,814	204,117	511,831	8,335	1,843,520
Capital Contributions		401,118				401,118
Transfers In	18,028					18,028
Transfers Out	(202,079)	(129,802)	(153,841)	(176,250)		(661,972)
Change in Net Position	<u>665,372</u>	<u>541,130</u>	<u>50,276</u>	<u>335,581</u>	<u>8,335</u>	<u>1,600,694</u>
TOTAL NET POSITION, JANUARY 1	<u>3,613,568</u>	<u>9,173,903</u>	<u>5,858,970</u>	<u>2,016,834</u>	<u>113,295</u>	<u>20,776,570</u>
TOTAL NET POSITION, DECEMBER 31	<u>\$ 4,278,940</u>	<u>\$ 9,715,033</u>	<u>\$ 5,909,246</u>	<u>\$ 2,352,415</u>	<u>\$ 121,630</u>	<u>\$ 22,377,264</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

**Exhibit A-9**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers and Users	\$ 6,894,765	\$ 1,307,846	\$ 804,332	\$ 3,491,842	\$ 84,586	\$ 12,583,371
Receipts from Interfund Services Provided	3,437					3,437
Payments to Suppliers	(5,440,784)	(472,100)	(209,866)	(2,676,536)	(63,011)	(8,862,297)
Payments for Interfund Services Used		(73)	(315)	(3,049)		(3,437)
Payments to Employees	(273,422)	(148,265)	(163,214)	(315,297)	(9,927)	(910,125)
Net Cash Provided by Operating Activities	<u>1,183,996</u>	<u>687,408</u>	<u>430,937</u>	<u>496,960</u>	<u>11,648</u>	<u>2,810,949</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Change in Interfund Loans			37,515			37,515
Nonoperating Revenue	19,402	32,564	4,783	37,507	959	95,215
Changes in Note Receivable	(13,157)					(13,157)
Nonoperating Expense				(2,400)		(2,400)
Transfers From Other Funds	18,028					18,028
Transfers to Other Funds	(202,079)	(129,802)	(153,841)	(176,250)		(661,972)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(177,806)</u>	<u>(97,238)</u>	<u>(111,543)</u>	<u>(141,143)</u>	<u>959</u>	<u>(526,771)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Capital Assets	(250,851)	(29,612)		(75,980)		(356,443)
Payment of Long-Term Debt	(350,000)	(278,313)	(161,000)			(789,313)
Interest on Long-Term Debt	(150,694)	(50,291)	(44,438)			(245,423)
Special Assessments Received		13	70			83
Net Cash Used by Capital and Related Financing Activities	<u>(751,545)</u>	<u>(358,203)</u>	<u>(205,368)</u>	<u>(75,980)</u>		<u>(1,391,096)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Earnings	16,222	21,911	29,417	15,352	1,193	84,095
Net Cash Provided by Investing Activities	<u>16,222</u>	<u>21,911</u>	<u>29,417</u>	<u>15,352</u>	<u>1,193</u>	<u>84,095</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>270,867</b>	<b>253,878</b>	<b>143,443</b>	<b>295,189</b>	<b>13,800</b>	<b>977,177</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b><u>1,115,771</u></b>	<b><u>1,586,523</u></b>	<b><u>1,305,523</u></b>	<b><u>1,060,549</u></b>	<b><u>76,269</u></b>	<b><u>5,144,635</u></b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b><u>\$ 1,386,638</u></b>	<b><u>\$ 1,840,401</u></b>	<b><u>\$ 1,448,966</u></b>	<b><u>\$ 1,355,738</u></b>	<b><u>\$ 90,069</u></b>	<b><u>\$ 6,121,812</u></b>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>						
Cash and Investments	\$ 1,077,703	\$ 1,157,105	\$ 1,448,966	\$ 1,355,738	\$ 90,069	\$ 5,129,581
Restricted Cash - Bond Covenants	308,935	683,296				992,231
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b><u>\$ 1,386,638</u></b>	<b><u>\$ 1,840,401</u></b>	<b><u>\$ 1,448,966</u></b>	<b><u>\$ 1,355,738</u></b>	<b><u>\$ 90,069</u></b>	<b><u>\$ 6,121,812</u></b>

cont.

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

**Exhibit A-9**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income (Loss)	\$ 960,077	\$ 257,234	\$ 213,184	\$ 461,371	\$ 6,182	\$ 1,898,048
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities						
Depreciation	268,496	425,460	181,250	31,983	6,097	913,286
Change in:						
Accounts Receivable	(44,969)	(28,295)	(8,529)	10	(518)	(82,301)
Inventory				(1,209)		(1,209)
Deferred Outflows of Resources	19,576	11,111	11,111	18,517	528	60,843
Accounts Payable	(11,007)	30,084	41,909	(1,426)	(387)	59,173
Accrued Payroll	1,089	631	631	1,221	114	3,686
Unearned Revenue	(784)					(784)
Compensated Absences	11,861	2,869	3,117	5,968	188	24,003
Other Current Liabilities	275		(50)			225
Net Pension Liability	(29,691)	(16,852)	(16,852)	(28,086)	(802)	(92,283)
Deferred Inflows of Resources	9,073	5,166	5,166	8,611	246	28,262
Total Adjustments	<u>223,919</u>	<u>430,174</u>	<u>217,753</u>	<u>35,589</u>	<u>5,466</u>	<u>912,901</u>
Net Cash Provided by Operating Activities	<u>\$ 1,183,996</u>	<u>\$ 687,408</u>	<u>\$ 430,937</u>	<u>\$ 496,960</u>	<u>\$ 11,648</u>	<u>\$ 2,810,949</u>
Noncash Capital and Related Financing Capital Contributions	\$	\$ 401,118	\$	\$	\$	\$ 401,118

See Notes to the Financial Statements

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Perham, Minnesota, has a council-manager form of government. A mayor and four council members are elected by the voters of the City for two-year and four-year terms, respectively.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The City's significant accounting policies are described below.

**A. Financial Reporting Entity**

For financial reporting purposes, the City of Perham's primary government includes all funds, elected officials, departments, boards, commissions, and authorities that make up the City's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. The discretely presented component units have a December 31 year-end.

**DISCRETELY PRESENTED COMPONENT UNITS (Unaudited)**

Perham Area Community Center

The Community Center is operating to provide services to the residents of the City of Perham and surrounding areas. One of the members of the city council is appointed to serve on the Board of Directors of the Community Center. Expenditures are approved by the city council along with the annual budget. The Perham Area Community Center operates with a December 31 year-end.

Perham Golf Course

The Perham Golf Course was constructed on land that is owned by the City. The City has issued gross revenue bonds to finance the expansion of the golf course and is required to maintain a separate fund to account for all revenue received from operations, which are reserved for principal and interest payments. The City has an agreement with the Perham Lakeside Golf Club for the operation of the golf course.

**BLENDED COMPONENT UNITS - None.**

Complete financial statements for the individual component units may be obtained at the City's administrative office.

Perham Area Community Center  
620 Third Avenue Southeast  
Perham, Minnesota 56573

Perham Lakeside Golf Club  
2727 450<sup>th</sup> Street  
Perham, Minnesota 56573

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants which purchase, use, or directly benefit from goods,

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NOTES TO THE FINANCIAL STATEMENTS  
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services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *economic development revolving loan fund* accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The *1996 IRP loan program fund* accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The *TIF Districts fund* accounts for the proceeds and distribution of tax increments that are legally restricted for a specified purpose.

The *2015 G.O. improvement bonds fund* accounts for all activities associated with debt service for the 2015 General Obligation Improvement Bonds.

The *permanent improvement fund* accounts for capital outlays not accounted for in other funds.

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The government reports the following major proprietary funds:

The *gas utility fund* is used to account for revenues and expenses to operate the municipal gas utility.

The *sewer and wastewater utility fund* is used to account for revenues and expenses to operate the municipal sewer and wastewater facility.

The *water fund* is used to account for revenues and expenses to operate the municipal water utility.

The *municipal liquor fund* is used to account for revenues and expenses to operate the municipal liquor store.

The government also has a nonmajor proprietary fund. The *recycling fund* is used to account for revenues and expenses to operate the recycling utility.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Budgets**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund and the special revenue funds. All annual appropriations lapse at fiscal year end.

#### **E. Cash and Cash Equivalents**

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City considers cash equivalents to be certificates of deposits, money market funds, and other highly liquid investments with original maturities of three months or less. They are carried at cost.

#### **F. Investments**

Investments are stated at fair value as of the balance sheet date. Amortization of premiums and accretion of discounts on investment purchases are not recorded over the term of the investment. The effect of this policy on the financial statements of various funds is not significant.

#### **G. Accounts Receivable**

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable was \$55,500. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**CITY OF PERHAM, MINNESOTA  
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A receivable is considered to be past due if any portion of the receivable balance is outstanding on the 22<sup>nd</sup> of the month. A penalty is charged on receivables that are outstanding on the 22<sup>nd</sup> of the month.

**H. Property Taxes**

Property tax levies are set by the city council in December each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15. The county remits the collections to the City and other taxing districts three times a year, in April, July, and December.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

**I. Special Assessments Receivable**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

Noncurrent - assessment installments that will be billed to property owners in future years.

Special assessments receivables not expected to be collected within one year are \$3,890,000.

**J. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**K. Inventories**

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Proprietary fund inventories for gas, water, and sewer are presented on an average cost basis, while golf course and municipal liquor fund inventories are presented at lower of cost or market.

**L. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an

**CITY OF PERHAM, MINNESOTA  
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initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The government reports infrastructure assets on a network basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the acquisition value at the date of its donation.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	20-40 years
Improvements other than Buildings	5-50 years
Machinery and Equipment	5-40 years

**M. Compensated Absences**

Vacation leave is recognized as an expenditure or expense when earned. City employees are granted from 7 to 28 days of vacation per year depending upon their years of service. Vacation that is earned as of December 31, 2018, and is expected to be taken by December 31, 2018, is considered a current liability and is accrued in the December 31, 2018, financial statements. Unused vacation leave of 48 hours can be carried over to the succeeding year.

Compensatory time is earned by City employees working hours in excess of their regularly scheduled shift or a forty-hour week. Compensatory time is accrued as a current liability as it is to be used within one year.

All City employees earn sick leave at the rate of one day per month to a maximum of 120 days.

Any employee who has rendered at least five years of service and is in good standing is entitled upon retirement or termination, cash payment of 25 percent of their accumulated sick leave balance, which is limited to one month's pay. Once an employee renders ten years of service and is in good standing he or she is entitled, upon retirement or termination, cash payment of 50 percent or 400 hours of their accumulated sick leave balance. Due to the uncertainty as to when employees will terminate or retire and payment of sick leave benefits will be required, the liability is considered to be long-term.

**N. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. Sales Tax**

Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

## P. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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.

## Q. Deferred Outflows/Inflows of Resources

In additions to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item that qualifies for reporting in this category is named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

## R. Fund Equity

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

*Nonspendable* - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned* - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council delegates the power to assign fund balances to the City Manager and Finance Officer.

*Unassigned* - consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

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When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The City will strive to maintain a minimum unassigned general fund balance of 35% of the annual budget.

**S. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**T. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Ultimate results could differ from those estimates.

**NOTE 2. DEFICIT FUND BALANCES**

The following funds had deficit fund balances at December 31, 2018.

2019 Improvement Project	\$55,415
Victory Estates Improvement	6,789
2006 G.O. Bonds	13,380

The deficits are expected to be eliminated through future revenues.

**NOTE 3. DEPOSITS AND INVESTMENTS**

The City maintains a cash account at its depository bank. The City considers certificates of deposit to be cash.

The pooled cash account is comprised of the following:

	Primary	Perham Area	Perham
	Government	Community	Golf Course
		Center	
Cash	\$ 13,502,131	\$ 557,099	\$ 3,628
	<u>\$ 13,502,131</u>	<u>\$ 557,099</u>	<u>\$ 3,628</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least 80% of the City's investment portfolio to maturities of five years or less and no investment should extend beyond ten years.

Credit Risk - The City may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the state of Minnesota and rated "A" or better.

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- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer of the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualification described in (f) above.

As if December 31, 2018, the City held no investments.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City's city council, all of which 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 percent of the deposits not covered by insurance or bonds. The City was not exposed to custodial credit risk as of December 31, 2018.

**NOTE 4. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2018, was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 530,246	\$ 1,028	\$	\$ 531,274
Construction In Process	25,194	64,869		90,063
Total Capital Assets, Not Being Depreciated	<u>555,440</u>	<u>65,897</u>		<u>621,337</u>
Capital Assets, Being Depreciated:				
Buildings	9,321,057	11,491		9,332,548
Improvements Other Than Buildings	24,734,494	232,464		24,966,958
Machinery and Equipment	4,252,732	107,034	71,040	4,288,726
Total Capital Assets, Being Depreciated	<u>38,308,283</u>	<u>350,989</u>	<u>71,040</u>	<u>38,588,232</u>
Less Accumulated Depreciation For:				
Buildings	2,386,072	266,656		2,652,728
Improvements Other Than Buildings	6,154,645	727,752		6,882,397
Machinery and Equipment	2,075,039	232,272	70,240	2,237,071
Total Accumulated Depreciation	<u>10,615,756</u>	<u>1,226,680</u>	<u>70,240</u>	<u>11,772,196</u>
Total Capital Assets, Being Depreciated, Net	<u>27,692,527</u>	<u>(875,691)</u>	<u>800</u>	<u>26,816,036</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,247,967</u>	<u>\$ (809,794)</u>	<u>\$ 800</u>	<u>\$ 27,437,373</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Business-type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,517,234	\$ _____	\$ _____	\$ 1,517,234
Total Capital Assets, Not Being Depreciated	<u>1,517,234</u>	<u>_____</u>	<u>_____</u>	<u>1,517,234</u>
Capital Assets, Being Depreciated:				
Buildings	1,002,684			1,002,684
Improvements Other Than Buildings	29,836,036	626,358		30,462,394
Machinery and Equipment	3,465,751	131,203		3,596,954
Total Capital Assets, Being Depreciated	<u>34,304,471</u>	<u>757,561</u>	<u>_____</u>	<u>35,062,032</u>
Less Accumulated Depreciation For:				
Buildings	233,727	25,294		259,021
Improvements Other Than Buildings	9,663,044	776,933		10,439,977
Machinery and Equipment	1,061,403	111,059		1,172,462
Total Accumulated Depreciation	<u>10,958,174</u>	<u>913,286</u>	<u>_____</u>	<u>11,871,460</u>
Total Capital Assets, Being Depreciated, Net	<u>23,346,297</u>	<u>(155,725)</u>	<u>_____</u>	<u>23,190,572</u>
Business-type Activities Capital Assets, Net	<u>\$ 24,863,531</u>	<u>\$ (155,725)</u>	<u>\$ _____</u>	<u>\$ 24,707,806</u>

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

Governmental Activities:	
General Government	\$ 39,676
Public Safety	170,334
Public Works, including Depreciation of General Infrastructure Assets	719,157
Culture and Recreation	237,133
Economic Development	1,575
Airport	58,805
Total Depreciation Expense - Governmental Activities	<u>\$ 1,226,680</u>
Business-type Activities:	
Gas	\$ 268,496
Sewer and Wastewater	425,460
Water	181,250
Municipal Liquor	31,983
Recycling	6,097
Total Depreciation Expense - Business-type Activities	<u>\$ 913,286</u>

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**Component Units (Unaudited)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Perham Area Community Center</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,130	\$	\$	\$ 41,130
Capital Assets, Being Depreciated:				
Buildings	3,121,403	85,488		3,206,891
Machinery and Equipment	739,859	27,377		767,236
Total Capital Assets, Being Depreciated	<u>3,861,262</u>	<u>112,865</u>		<u>3,974,127</u>
Total Accumulated Depreciation	<u>2,375,627</u>	<u>162,846</u>		<u>2,538,473</u>
Total Capital Assets, Being Depreciated, Net	<u>1,485,635</u>	<u>(49,981)</u>		<u>1,435,654</u>
Perham Area Community Center Capital Assets, Net	<u>\$ 1,526,765</u>	<u>\$ (49,981)</u>	<u>\$</u>	<u>\$ 1,476,784</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Perham Golf Course</u></b>				
Capital Assets, Being Depreciated:				
Improvements Other than Buildings	\$ 453,896	\$ 12,470	\$	\$ 466,366
Machinery and Equipment	1,158,475	9,283		1,167,758
Total Capital Assets, Being Depreciated	<u>1,612,371</u>	<u>21,753</u>		<u>1,634,124</u>
Less Accumulated Depreciation For:				
Improvements Other than Buildings	111,028	21,056		132,084
Machinery and Equipment	818,938	83,063		902,001
Total Accumulated Depreciation	<u>929,966</u>	<u>104,119</u>		<u>1,034,085</u>
Perham Golf Course Capital Assets, Net	<u>\$ 682,405</u>	<u>\$ (82,366)</u>	<u>\$</u>	<u>\$ 600,039</u>

**NOTE 5. NOTES RECEIVABLE**

The City has various notes receivable from individuals and organizations at December 31, 2018, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Special Revenue Funds			
Economic Development Loans	2019 - 2033	0.0 – 6.0%	\$ 983,352
Debt Service Funds			
Economic Development Loans	2019 - 2023	0.0 - 6.0%	741,342
Proprietary Funds			
Economic Development Loans	2028	2.0%	<u>13,157</u>
Total			<u>\$ 1,737,851</u>

The provision for uncollectible was \$60,364.

**NOTE 6. CONTINGENT LIABILITIES AND COMMITMENTS**

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2018, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

**NOTE 7. DEFINED BENEFIT PENSION PLANS**

The financial statements of the City of Perham have been prepared in accordance with accounting principles generally accepted in the United States of America as described in Note 1. This note disclosure includes the proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources for both governmental and proprietary funds.

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

*General Employees Retirement Plan*

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

*Public Employees Police and Fire Plan*

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

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

*General Employees Plan Benefits*

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

*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

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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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

*General Employees Fund Contributions*

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018. The City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$85,792. 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 and the City was required to contribute 16.20% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$56,529. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2018, the City reported a liability of \$937,543 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16,000,000 to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$30,657. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0169% which was a decrease of 0.0003% from its proportionate share measured as of June 30, 2017.

Department's proportionate share of the net pension liability	\$	937,543
State of Minnesota's proportionate share of the net pension liability associated with the Department		30,657
Total	\$	968,200

For the year ended December 31, 2018, the City recognized pension expense of \$87,890 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$7,149 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16,000,000 to the General Employees Fund.

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At December 31, 2018, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,236	\$ 25,888
Difference between projected and actual investment earnings		104,256
Changes in actuarial assumptions	84,790	106,622
Changes in proportion	36,584	18,376
Contributions paid to PERA subsequent to the measurement date	42,986	
Total	<u>\$ 189,596</u>	<u>\$ 255,142</u>

\$42,986 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 ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2019	\$ 33,879
2020	(41,128)
2021	(81,716)
2022	(19,567)

At December 31, 2018, the City reported a liability of \$336,823 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0316%, which was an increase of 0.0036% from its proportion measured as of June 30, 2017. The City also recognized \$2,844 for the year ended December 31, 2018, 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 \$9,000,000 to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$50,674 for its proportionate share of Police and Fire Plan's pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,680	\$ 79,920
Difference between projected and actual investment earnings		62,495
Changes in actuarial assumptions	397,553	440,644
Changes in proportion	58,680	34,775
Contributions paid to PERA subsequent to the measurement date	28,265	
Total	<u>\$ 497,178</u>	<u>\$ 617,834</u>

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\$28,265 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 ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2019	\$ 4,565
2020	(11,274)
2021	(36,078)
2022	(116,041)
2023	9,907

The total pension expense for all plans recognized by the City for the year ended December 31, 2018 was \$138,564.

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2018:

**General Employees Fund**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**Police and Fire Fund**

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

Discount Rate – The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of 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.

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 one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	<u>1% Decrease (6.5%)</u>	<u>Current (7.5%)</u>	<u>1% Increase (8.5%)</u>
General Employees Fund	\$ 1,523,627	\$ 937,543	\$ 453,747
Police and Fire Fund	\$ 722,171	\$ 336,823	\$ 18,157

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 8. PERHAM FIREFIGHTERS RELIEF ASSOCIATION**

The Perham Firefighters Relief Association is the administrator of a single employer lump-sum defined benefit pension plan available to firefighters, retired and active, of the City of Perham. The plan operates under the provisions of Minn. Stat. §§ 69 and 424A. The assets of the fund are dedicated to providing pension benefits to the plan members.

**Plan Membership**

At December 31, 2017, the membership of the Association consisted of:

Retired and Terminated Members:	
Received Benefits	0
Deferred Benefits	2
Current Members:	
Fully Vested (20 years or more)	8
Partially Vested (10 years to 19 years)	10
Nonvested (less than 10 years)	13
Total	<u>33</u>

Plan provisions are established and may be amended by the Association’s Board of Trustees within the guidelines of the State of Minnesota statutes.

**CITY OF PERHAM, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018**

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**Benefit Provisions**

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the Perham Fire Department, has served at least twenty (20) years of active service with such department before retirement; shall be entitled to a lump sum service pension in the amount of \$1,900 for each completed full year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Ten Year Service, but Less than Twenty Year Service

Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement, but has not served at least 20 years of active service, shall be entitled to pro-rated sum service pension based on the percentages in the following table:

For Duty of:		
More than 9 years	Less than 10 years	0%
10	11	60
11	12	64
12	13	68
13	14	72
14	15	76
15	16	80
16	17	84
17	18	88
18	19	92
19	20	96
20	21	100

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

Disability Benefits

The disability pension payable at age 50 is based on the lump sum pension formula and service at date of disability with regard to vesting.

Death Benefits

Upon the death of any member of the Association who is in good standing at the time of their death, the Association shall pay to the surviving spouse, if any, and if no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member, a death benefit. The sum shall be calculated using the lump sum service pension amount in effect at the time of death and using years of service without regard to any minimum or partial vesting requirements, but in no case shall be less than 5 years of service.

State Supplemental Benefits

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. A supplemental survivor benefit in the amount of 20% of the total benefit paid, but not more than \$2,000 shall be paid to the surviving spouse or surviving child or children. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Perham Fire Department Relief Association qualifies for these benefits.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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**Funding Requirements**

Minnesota Statutes Section 424A.092 specifies minimum contributions required on an annual basis. The minimum contribution from the City of Perham is determined as follows:

Normal Cost

- + Amortization Payment on Unfunded Actuarial Liability Prior to Any Changes
- + Amortization Contribution on Unfunded Actuarial Liability Attributed to Any Change
- + Administrative Expenses
- Anticipated State Aid
- Projected Investment Earnings @ 5.0 percent

Total Contribution Required

Plan members are volunteers with no contribution requirements.

Minnesota Statutes Section 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 significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Contributions totaling \$42,535 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2018. These contributions were for \$42,535 of normal costs. The City's statutorily required contribution was \$0.

**Pension Costs**

At December 31, 2018, the City reported a net pension asset of \$296,088 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2017. The following table presents the changes in net pension liability during the year.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Changes in Net Position Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at previous Measurement Date 12/31/2016	\$ 663,810	\$ 854,769	\$ (190,959)
Changes for the year:			
Service Cost	25,954		25,954
Interest	43,110		43,110
Difference between expected and actual experience			
Changes of assumptions			
Changes of benefit terms			
Contributions - State and local		42,535	(42,535)
Contributions - donations and other income			
Contributions - member			
Net investment income		140,918	(140,918)
Other additions (e.g. receivables)			
Benefit payments, including member contribution refunds			
Administrative expense			
Other deductions (e.g. payables)		(9,260)	9,260
Net Changes	<u>69,064</u>	<u>174,193</u>	<u>(105,129)</u>
Balance at current Measurement Date 12/31/2017	<u>\$ 732,874</u>	<u>\$ 1,028,962</u>	<u>\$ (296,088)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2018, the City recognized pension expense of \$15,235.

At December 31, 2018, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ _____	\$ 27,319
Changes in assumptions		9,230
Net difference between projected and actual investment earnings		47,153
Total	<u>\$ _____</u>	<u>\$ 83,702</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year End December 31	Pension Expense Amount
2019	\$ (9,173)
2020	(11,805)
2021	(24,792)
2022	(22,739)
2023	(5,339)
Thereafter	(9,854)

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2016, based on the measurement date of December 31, 2017, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- Investment rate of return is 6.25%;
- Inflation rate is 2.75%;
- Entry age normal in accordance with the requirements of GASB 67/68;
- Mortality assumptions for pre-retirement, post-retirement, and post-disability are:
  - Pre-retirement: RP 2000 non-annuitant generational mortality projected with Scale AA, white collar adjustment, male rates set back two years, female rates set back two years.
  - Post-retirement: RP 2000 annuitant generational mortality projected with Scale AA, white collar adjustment, without age adjustments.
  - Post-disability: RP 2000 healthy annuitant mortality table, white collar adjustment, set forward eight years for males and females.

**Long-Term Expected Rate of Return**

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of December 31, 2016.

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Nominal Rate of Return</u>
Domestic Equity	44.00%	5.39%	8.14%
International Equity	20.00%	5.20%	7.95%
Fixed Income	25.00%	1.98%	4.73%
Real Estate and Alternatives	1.00%	4.25%	7.00%
Cash and Equivalents	10.00%	0.79%	3.54%

**Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's net position was projected to be available to make all projected future benefit payments on the 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.

**Sensitivity Analysis**

The following presents the net pension liability calculated using the discount rate of 6.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.25 percent) or one-percentage-point higher (7.25 percent) than the current rate:

<u>1% Decrease (5.25%)</u>	<u>Current (6.25%)</u>	<u>1% Increase (7.25%)</u>
\$ (283,636) \$	(296,088) \$	(308,225)

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Pension Plan Fiduciary Net Position**

Detailed information about the plan’s fiduciary net position as of December 31, 2018, is available in a separately-issued financial statement that includes financial statements and required supplementary information. That report may be obtained by writing to Perham Firefighters Relief Association at 525 W Main St, Perham, Minnesota, 56573.

**NOTE 9. LONG-TERM DEBT**

**Primary Government**

**General Obligation Bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$17,346,220.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligations issued for General Government are payable from the debt service funds primarily through special assessments and property taxes levied and collected. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.4 – 5.5%	\$ 7,139,000
Governmental Activities – Refunding	1.25 – 4.0%	2,215,000
Business-type Activities	2.25 – 3.1%	1,255,000
Business-type Activities – Refunding	1.25 – 3.2%	165,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,008,000	\$ 254,973	\$ 255,000	\$ 32,569
2020	943,000	232,426	195,000	25,743
2021	954,000	209,075	200,000	20,770
2022	950,000	184,007	210,000	15,570
2023	860,000	158,047	185,000	10,804
2024-2028	3,084,000	461,274	375,000	8,921
2029-2033	1,555,000	104,693		
	<u>\$ 9,354,000</u>	<u>\$ 1,604,495</u>	<u>\$ 1,420,000</u>	<u>\$ 114,377</u>

**General Obligation Revenue Bonds.** The City issues general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation revenue bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$9,119,206. During the year, general obligation revenue bonds totaling \$219,062 were issued to finance street improvements.

The City pledges income derived from the acquired or constructed assets to pay debt service. General obligation revenue bonds are direct obligations and pledge the full faith and credit of the City. General obligation revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.0 – 2.4%	\$2,051,000
Business-type Activities	1.0 – 2.8%	3,977,000
Business-type Activities - Refunding	3.0 – 4.0%	395,000

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

Annual debt service requirements to maturity for general obligation utility revenue bonds are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 178,000	\$ 23,466	\$ 319,000	\$ 78,167
2020	179,000	20,589	288,000	70,807
2021	105,000	17,702	292,000	64,397
2022	105,000	16,605	302,000	57,451
2023	107,000	15,508	301,000	50,060
2024-2028	552,000	60,536	1,326,000	157,066
2029-2033	582,000	31,078	526,000	66,800
2034-2038	243,000	3,814	555,000	39,900
2039-2042			463,000	11,640
	<u>\$ 2,051,000</u>	<u>\$ 189,298</u>	<u>\$ 4,372,000</u>	<u>\$ 596,288</u>

**Revenue Bonds.** The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City has not pledged the full faith and credit of the City. Revenue bonds have been issued for business-type activities. The original amount of revenue bonds issued in prior years was \$4,060,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities - Refunding	3.9– 4.7%	\$2,605,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2019	\$ 190,000	\$ 111,980
2020	200,000	104,274
2021	205,000	96,175
2022	215,000	87,506
2023	225,000	78,155
2024-2028	1,280,000	224,892
2029-2030	290,000	6,888
	<u>\$ 2,605,000</u>	<u>\$ 709,870</u>

**Loans Payable.** The City has two 1% promissory notes to the U.S. Department of Agriculture for establishing an Intermediary Relending Program for various applicants who qualify for such loans in accordance with the applicable regulations of the Farmers Home Administration relating to the Intermediary Relending Program. The City has not pledged its full faith and credit for repayment of the notes, but only the assets pledged as security for loans to the recipients. The balance due on the notes was \$235,704 and \$301,794 at December 31, 2018.

The City has the following loans:

<u>Lender</u>	<u>Interest Rates</u>	<u>Amount</u>
U.S. Department of Agriculture	1.0%	\$ 537,498
United Community Bank	3.5%	39,750
		<u>\$ 577,248</u>

  

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.0 – 3.5%	\$577,248

**CITY OF PERHAM, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Annual debt service requirements to maturity for loans payable are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2019	\$ 87,583	\$ 8,918
2020	88,009	7,547
2021	68,944	4,057
2022	69,636	3,366
2023	70,334	2,668
2024-2028	192,742	4,981
	<u>\$ 577,248</u>	<u>\$ 31,537</u>

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds	\$ 10,227,000	\$	\$ 873,000	\$ 9,354,000	\$ 1,008,000
General Obligation Revenue Bonds	2,003,784	219,062	171,846	2,051,000	178,000
Subtotal Bonds Payable	<u>12,230,784</u>	<u>219,062</u>	<u>1,044,846</u>	<u>11,405,000</u>	<u>1,186,000</u>
Unamortized Premium	212,719		16,340	196,379	16,340
Total Bonds Payable	<u>12,443,503</u>	<u>219,062</u>	<u>1,061,186</u>	<u>11,601,379</u>	<u>1,202,340</u>
Other Long-term Obligations					
Loans Payable	694,206		116,958	577,248	87,583
Total Other Long-term Obligations	<u>694,206</u>		<u>116,958</u>	<u>577,248</u>	<u>87,583</u>
Compensated Absences	97,183	83,599	60,856	119,926	46,644
Governmental Activity					
Long-term Liabilities	<u>\$ 13,234,892</u>	<u>\$ 302,661</u>	<u>\$ 1,239,000</u>	<u>\$ 12,298,553</u>	<u>\$ 1,336,567</u>
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation Bonds	\$ 1,670,000	\$	\$ 250,000	\$ 1,420,000	\$ 255,000
General Obligation Revenue Bonds	4,686,000		314,000	4,372,000	319,000
Revenue Bonds	2,790,000		185,000	2,605,000	190,000
Subtotal Bonds Payable	<u>9,146,000</u>		<u>749,000</u>	<u>8,397,000</u>	<u>764,000</u>
Unamortized Premium	57,088		8,760	48,328	8,760
Total Bonds Payable	<u>9,203,088</u>		<u>757,760</u>	<u>8,445,328</u>	<u>772,760</u>
Other Long-term Obligations					
Loans Payable	40,313		40,313		
Total Other Long-term Obligations	<u>40,313</u>		<u>40,313</u>		
Compensated Absences	71,581	50,015	26,012	95,584	37,087
Business-type Activity					
Long-term Liabilities	<u>\$ 9,314,982</u>	<u>\$ 50,015</u>	<u>\$ 824,085</u>	<u>\$ 8,540,912</u>	<u>\$ 809,847</u>

In the governmental activities, compensated absences are generally liquidated by the general fund. See the Schedule of Indebtedness for detail and payment provisions.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Component Units (Unaudited)**

**Loans Payable.** The following loans have been issued:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Perham Golf Course	.0%	\$205,006

Annual debt service requirements to maturity for the loans payable are as follows:

<u>Year Ending December 31</u>	<u>Perham Golf Course</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 205,006	\$

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Perham Golf Course</u></b>					
Other Long-term Obligations					
Loans Payable	\$ 207,453	\$ 31,098	\$ 33,545	\$ 205,006	\$ 53,291
Lifetime Memberships	16,500			16,500	
Component Unit Long-term Liabilities	<u>\$ 223,953</u>	<u>\$ 31,098</u>	<u>\$ 33,545</u>	<u>\$ 221,506</u>	<u>\$ 53,291</u>

**NOTE 10. REVOLVING LINE OF CREDIT**

**Component Unit (Unaudited)**

Perham Golf Course entered into a line-of-credit agreement with a bank that permitted the Perham Golf Course to borrow up to \$350,100. The interest rate is 4.95%. The balance outstanding as of December 31, 2018, was \$274,930.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$	348,600	\$	73,670	\$ 274,930

**NOTE 11. CONDUIT DEBT (NO COMMITMENT DEBT)**

The City has issued a Municipal Industrial Development Revenue Act Bond to provide financial assistance to a nonprofit corporation for the construction of an existing facility deemed to be in the public interest. This Bond is secured by an assignment of the Loan Agreement, A Guaranty Agreement and a Mortgage, Security Agreement, and Fixture Financing Statement. Accordingly, the Bond is not reported as a liability in the accompanying financial statements.

As of December 31, 2018, the aggregate principal amount payable of the one series issued was \$431,949. The original issue amount totaled \$952,317.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2018, is as follows:

Due to / from other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Water	Permanent Improvement	\$ 300,980
General	Nonmajor Governmental	58,784
		<u>\$ 359,764</u>

The amount payable is to finance the operation of the fund. Approximately \$262,000 of the loan from the water fund to the permanent fund is expected to be collected after 2019.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Liquor	\$ 116,250
General Fund	Sewer	15,500
General Fund	Water	15,500
General Fund	Gas	84,000
General Fund	Permanent Improvement	12,659
Economic Development Rev Loan	1996 IRP Loan Program	21,000
TIF Districts	TIF Districts	110
Perm Improvement	Liquor	60,000
Perm Improvement	Sewer	22,079
Perm Improvement	Water	24,079
Perm Improvement	Gas	118,079
Gas	Permanent Improvement	18,028
2015A Improvement Bonds	Sewer	49,869
2015A Improvement Bonds	Water	49,598
Nonmajor Governmental	Sewer	42,625
Nonmajor Governmental	Water	64,393
Nonmajor Governmental	TIF Districts	213,000
Nonmajor Governmental	Nonmajor Governmental	70,125
		<u>\$ 996,894</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and 2) move unrestricted revenues to finance various programs that the government must account for in other funds.

**NOTE 13. MAJOR CUSTOMERS**

The City has four major customers, which represent about 45% of the gas, water, and sewer utility revenue.

<u>Name</u>	
Company 1	24%
Company 2	6%
Company 3	8%
Company 4	7%

**NOTE 14. RISK MANAGEMENT**

The City purchases commercial insurance coverage above the deductible through the League of Minnesota Cities Insurance Trust with other cities in the State, a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the League for its insurance coverage. The League of Minnesota Cities Insurance Trust is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

The City also purchases liquor liability and airport liability coverage from the League of Minnesota Cities (\$2,000,000 aggregate for each). The City retains risk for the deductible portion of the policy, which is considered immaterial to the financial statements. At December 31, 2018, there are no other claims liabilities reported in the financial statements based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 15. NEW PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**CITY OF PERHAM, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the City's financial statements.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Property Taxes	\$ 431,551	\$ 431,551	\$ 428,321	\$ (3,230)
Special Assessments			2,311	2,311
Licenses and Permits	96,245	96,245	116,785	20,540
<b>Intergovernmental</b>				
<b>State</b>				
Local Governmental Aid	617,863	617,863	617,862	(1)
Police Aid	38,000	38,000	43,500	5,500
PERA	648	648	648	
Aviation Maintenance Aid	25,358	25,358	26,001	643
Other	2,500	2,500	2,485	(15)
Other Local Government	11,700	11,700	14,674	2,974
	<u>696,069</u>	<u>696,069</u>	<u>705,170</u>	<u>9,101</u>
<b>Charges for Services</b>				
General Government	63,430	63,430	65,547	2,117
Police Department	1,225	1,225	8,333	7,108
Airport	38,500	38,500	45,571	7,071
	<u>103,155</u>	<u>103,155</u>	<u>119,451</u>	<u>16,296</u>
Fines and Forfeitures	17,300	17,300	18,235	935
<b>Miscellaneous</b>				
Interest on Investments	4,475	4,475	35,750	31,275
Contributions	1,000	1,000	3,740	2,740
Reimbursements	17,000	17,000	32,189	15,189
Other Receipts	65,000	65,000	69,024	4,024
	<u>87,475</u>	<u>87,475</u>	<u>140,703</u>	<u>53,228</u>
Total Revenues	<u>1,431,795</u>	<u>1,431,795</u>	<u>1,530,976</u>	<u>99,181</u>

cont.

**CITY OF PERHAM, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND - Continued**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>				
General Government				
Mayor and Council	55,705	31,855	29,218	(2,637)
Finance / Administration	179,399	176,399	154,655	(21,744)
Elections	3,650	3,650	3,519	(131)
Independent Auditors		3,000	2,598	(402)
Legal Services		3,850		(3,850)
Planning and Zoning	9,000	9,000	405	(8,595)
Building Inspection Fees	79,100	79,100	73,090	(6,010)
Municipal Building	31,100	31,100	38,641	7,541
	<u>357,954</u>	<u>337,954</u>	<u>302,126</u>	<u>(35,828)</u>
Public Safety				
Police Protection	670,970	670,970	686,520	15,550
Police Station	9,750	9,750	8,339	(1,411)
	<u>680,720</u>	<u>680,720</u>	<u>694,859</u>	<u>14,139</u>
Public Works				
Streets and Alleys	161,450	161,450	205,835	44,385
Snow and Ice Removal	51,116	51,116	71,432	20,316
Street Lighting	58,400	58,400	66,424	8,024
	<u>270,966</u>	<u>270,966</u>	<u>343,691</u>	<u>72,725</u>
Culture and Recreation				
Senior Center	31,950	31,950	32,131	181
Municipal Parks	273,080	273,080	319,382	46,302
	<u>305,030</u>	<u>305,030</u>	<u>351,513</u>	<u>46,483</u>
Airport	48,375	48,375	67,038	18,663
Total Expenditures	<u>1,663,045</u>	<u>1,643,045</u>	<u>1,759,227</u>	<u>116,182</u>
REVENUES UNDER EXPENDITURES	<u>(231,250)</u>	<u>(211,250)</u>	<u>(228,251)</u>	<u>(17,001)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets			2,400	2,400
Transfers In	231,250	243,909	243,909	
Transfers Out		(20,000)		20,000
Total Other Financing Sources (Uses)	<u>231,250</u>	<u>223,909</u>	<u>246,309</u>	<u>22,400</u>
NET CHANGE IN FUND BALANCES		12,659	18,058	5,399
FUND BALANCE, JANUARY 1	<u>873,608</u>	<u>873,608</u>	<u>873,608</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 873,608</u>	<u>\$ 886,267</u>	<u>\$ 891,666</u>	<u>\$ 5,399</u>

See Notes to the Required Supplementary Information

**CITY OF PERHAM, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT REVOLVING LOAN FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes	\$ 74,787	\$ 74,787	\$ 74,249	\$ (538)
Intergovernmental - State				
PERA	247	247	247	
Charges for Services	21,200	21,200	23,125	1,925
Miscellaneous				
Interest on Investments	300	300	15,507	15,207
Interest on Loans Receivable	41,000	41,000	33,177	(7,823)
Other Receipts	400	100	212	112
Total Revenues	<u>137,934</u>	<u>137,634</u>	<u>146,517</u>	<u>8,883</u>
EXPENDITURES				
Current				
Economic Development	157,703	158,634	326,450	167,816
Total Expenditures	<u>157,703</u>	<u>158,634</u>	<u>326,450</u>	<u>167,816</u>
REVENUES UNDER EXPENDITURES	<u>(19,769)</u>	<u>(21,000)</u>	<u>(179,933)</u>	<u>(158,933)</u>
OTHER FINANCING SOURCES				
Transfers In	21,000	21,000	21,000	
Total Other Financing Sources	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	
NET CHANGE IN FUND BALANCES	1,231		(158,933)	(158,933)
FUND BALANCE, JANUARY 1	<u>1,997,085</u>	<u>1,997,085</u>	<u>1,997,085</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,998,316</u>	<u>\$ 1,997,085</u>	<u>\$ 1,838,152</u>	<u>\$ (158,933)</u>

See Notes to the Required Supplementary Information

**CITY OF PERHAM, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**TIF DISTRICT FUND**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Property Taxes	\$ 858,025	\$ 858,025	\$ 938,635	\$ 80,610
Miscellaneous				
Interest on Investments	1,610	1,610	6,822	5,212
Total Revenues	<u>859,635</u>	<u>859,635</u>	<u>945,457</u>	<u>85,822</u>
<b>EXPENDITURES</b>				
Current				
Economic Development	157,703	530,522	552,628	22,106
Total Expenditures	<u>157,703</u>	<u>530,522</u>	<u>552,628</u>	<u>22,106</u>
REVENUES OVER EXPENDITURES	<u>701,932</u>	<u>329,113</u>	<u>392,829</u>	<u>63,716</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			110	(110)
Transfers Out	(213,000)	(213,000)	(213,110)	110
Total Other Financing Sources (Uses)	<u>(213,000)</u>	<u>(213,000)</u>	<u>(213,000)</u>	<u>110</u>
NET CHANGE IN FUND BALANCES	488,932	116,113	179,829	63,716
FUND BALANCE, JANUARY 1	<u>681,210</u>	<u>681,210</u>	<u>681,210</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,170,142</u>	<u>\$ 797,323</u>	<u>\$ 861,039</u>	<u>\$ 63,716</u>

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST 10 YEARS**

	Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
General Employees Fund	2015	\$ 72,936	\$ 72,936	\$	\$ 962,478	7.58 %
	2016	78,737	78,737		1,049,825	7.50
	2017	84,649	84,649		1,128,655	7.50
	2018	85,792	85,792		1,143,902	7.50
Police and Fire Fund	2015	\$ 47,059	\$ 47,059	\$	\$ 290,493	16.20 %
	2016	46,273	46,273		285,633	16.20
	2017	50,751	50,751		313,276	16.20
	2018	56,529	56,529		348,942	16.20

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS**

	Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Fund	2015	0.0163 %	\$ 844,751	\$	\$ 844,751	\$ 955,309	88.43 %	78.19 %
	2016	0.0160	1,299,121	17,062	1,316,183	962,478	136.75	68.90
	2017	0.0172	1,098,037	13,784	1,111,821	1,089,241	102.07	75.90
	2018	0.0169	937,543	30,657	968,200	1,136,279	85.21	79.53
Police and Fire Fund	2015	0.0320 %	\$ 363,595	\$	\$ 363,595	\$ 287,601	126.42 %	86.61 %
	2016	0.0300	1,203,952		1,203,952	290,493	414.45	63.90
	2017	0.0280	378,033	2,520	380,553	299,455	127.08	85.40
	2018	0.0316	336,823	2,844	339,667	331,109	102.58	88.84

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS – PERHAM FIREFIGHTERS RELIEF  
ASSOCIATION  
LAST 10 YEARS**

Fiscal Year	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service Cost	\$ 25,954	\$ 26,239	\$ 26,367	\$ 25,661
Interest Cost	43,110	37,991	31,200	29,202
Differences between expected and actual experience		(34,887)		
Changes of Assumptions		(3,561)	(9,948)	
Changes of benefit terms		31,081		
Benefit Payments			(17,200)	(17,800)
Net Change in Total Pension Liability	69,064	56,863	30,419	37,063
Total Pension Liability - Beginning	663,810	606,947	576,528	539,465
Total Pension Liability - Ending	<u>\$ 732,874</u>	<u>\$ 663,810</u>	<u>\$ 606,947</u>	<u>\$ 576,528</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - State and Local	\$ 42,535	\$ 41,878	\$ 44,344	\$ 54,330
Net Investment Income	140,918	56,039	(24,949)	23,603
Benefit Payments			(17,200)	(17,800)
Pension Plan Administrative Expense			(4,407)	(4,187)
Other changes	(9,260)	(7,988)		
Net Change in Plan Fiduciary Net Position	174,193	89,929	(2,212)	55,946
Plan Fiduciary Net Position - Beginning	854,769	764,840	767,052	711,106
Plan Fiduciary Net Position - Ending	<u>\$ 1,028,962</u>	<u>\$ 854,769</u>	<u>\$ 764,840</u>	<u>\$ 767,052</u>
Net Pension Asset - Ending	\$ (296,088)	\$ (190,959)	\$ (157,893)	\$ (190,524)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	140.40%	128.77%	126.01%	133.05%
Covered Payroll *	\$	\$	\$	\$

Notes:

This schedule is built prospectively until it contains ten years of data.

\* Because all active plan members are volunteers, there is no actual payroll.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PERHAM FIREFIGHTERS RELIEF ASSOCIATION  
LAST 10 YEARS**

Fiscal Year Ended December 31,	Statutorily Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll*
2007	\$ 31,019	\$ 31,019	\$	
2008	27,230	27,230		
2009	24,053	24,053		
2010	53,693	53,693		
2011	58,521	58,521		
2012	50,373	50,373		
2013	58,168	58,168		
2014	54,330	54,330		
2015	44,344	44,344		
2016	41,878	41,878		
2017	42,535	42,535		

\* Because all active plan members are volunteers, there is no actual payroll.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period:	
Normal cost	20 Years
Prior service cost	10 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	6.25%
Projected salary increases	N/A
Inflation Rate	2.75%
Cost-of-living adjustments	N/A

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

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**NOTE 1. LEGAL COMPLIANCE-BUDGETS**

The City is required by state statutes to adopt an annual budget for its general fund. There is no legal restriction on expenditures in excess of appropriations.

Annual budgets are adopted for the general and the special revenue funds. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Formal budgetary policies are not employed for debt service funds and capital projects funds because effective budgetary control is alternatively achieved by bond requirements or by council approval of individual projects and expenditures.

Appropriations are authorized by the city council at the function and activity level within an individual fund, which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. The city administrator may transfer budgeted amounts between line items. All unexpended appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Any change in the total budget of each fund must be approved by a majority vote of the city council.

**NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2018, expenditures exceeded appropriations in the general fund, the economic development revolving loan fund, and the TIF District fund by \$116,182, \$167,816, and \$22,106, respectively.

**NOTE 3. DEFINED BENEFIT PLANS**

**PERA**

**General Employees Fund**

*2018 Changes*

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

*2017 Changes*

Changes in Plan Provisions: The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

*2016 Changes*

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate has changed from 1.0% per year through 2035 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%. 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 PERHAM, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

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Changes in Actuarial Assumptions: The assumed post-retirement benefit increase was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**Police and Fire Fund**

*2018 Changes*

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2016 to MP-2017.

*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 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 0.96. 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 3.0 percent 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 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing Joint and Survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The Single Discount Rate was changed from 5.60 percent per annum to 7.50 percent per annum.

*2016 Changes*

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

*2015 Changes*

Changes in Plan Provisions: The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

**CITY OF PERHAM, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

**Exhibit B-1**

	Special Revenue Funds <u>Exhibit C-1</u>	Debt Service Funds <u>Exhibit C-3</u>	Capital Projects Funds <u>Exhibit C-5</u>	Permanent Fund	Total Nonmajor Governmental Funds <u>Exhibit A-3</u>
<b>ASSETS</b>					
Cash and Investments	\$ 535,258	\$ 1,502,734	\$ 217,885	\$ 60,719	\$ 2,316,596
Accounts Receivable	24,521				24,521
Tax Receivable - Current	2,333	3,175			5,508
Tax Receivable - Delinquent	840	1,143			1,983
Special Assessments Receivable					
Delinquent		11,729			11,729
Noncurrent		2,702,442			2,702,442
	<u>562,952</u>	<u>4,221,223</u>	<u>217,885</u>	<u>60,719</u>	<u>5,062,779</u>
<b>TOTAL ASSETS</b>	<b>\$ 562,952</b>	<b>\$ 4,221,223</b>	<b>\$ 217,885</b>	<b>\$ 60,719</b>	<b>\$ 5,062,779</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 8,752		\$ 135,554		\$ 144,306
Accrued Payroll	474				474
Due to Other Funds		20,169	38,615		58,784
Total Liabilities	<u>9,226</u>	<u>20,169</u>	<u>174,169</u>		<u>203,564</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue	840	2,715,314			2,716,154
Total Deferred Inflows of Resources	<u>840</u>	<u>2,715,314</u>			<u>2,716,154</u>
<b>Fund Balance</b>					
Nonspendable - Endowment				50,000	50,000
Restricted for:					
Marketing	38,248				38,248
Debt Service		1,505,909			1,505,909
Committed for:					
Library	84,309				84,309
Fire and Rescue	278,201				278,201
Storm Sewer	152,128				152,128
Assigned					
Capital Projects			99,131		99,131
Park				10,719	10,719
Unassigned		(20,169)	(55,415)		(75,584)
Total Fund Balance	<u>552,886</u>	<u>1,485,740</u>	<u>43,716</u>	<u>60,719</u>	<u>2,143,061</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 562,952</b>	<b>\$ 4,221,223</b>	<b>\$ 217,885</b>	<b>\$ 60,719</b>	<b>\$ 5,062,779</b>

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2018**

**Exhibit B-2**

	Special Revenue Funds <u>Exhibit C-2</u>	Debt Service Funds <u>Exhibit C-4</u>	Capital Projects Funds <u>Exhibit C-6</u>	Permanent Fund	Total Nonmajor Governmental Funds <u>Exhibit A-5</u>
<b>REVENUES</b>					
Property Taxes	\$ 259,204	\$ 356,485	\$	\$	\$ 615,689
Hotel/Motel Tax	49,709				49,709
Special Assessments		494,726			494,726
Intergovernmental - Federal		12,598			12,598
Intergovernmental - State	46,740				46,740
Intergovernmental - Local	154,712		69,592		224,304
Charges for Services	104,195				104,195
Miscellaneous					
Interest on Investments	5,584	19,404	1,828	3,518	30,334
Contributions	7,022				7,022
Reimbursements	2,319				2,319
Other Receipts	5,689				5,689
Total Revenues	<u>635,174</u>	<u>883,213</u>	<u>71,420</u>	<u>3,518</u>	<u>1,593,325</u>
<b>EXPENDITURES</b>					
Current					
Public Safety	254,702				254,702
Public Works	33,998				33,998
Culture and Recreation	198,064				198,064
Economic Development	44,000				44,000
Debt					
Principal		810,201			810,201
Interest		229,942			229,942
Fees		3,948			3,948
Capital Outlay					
Public Works			280,007		280,007
Total Expenditures	<u>530,764</u>	<u>1,044,091</u>	<u>280,007</u>		<u>1,854,862</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>104,410</u>	<u>(160,878)</u>	<u>(208,587)</u>	<u>3,518</u>	<u>(261,537)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issued			219,062		219,062
Sale of Capital Assets	4,500				4,500
Transfers In		388,497	1,646		390,143
Transfers Out			(70,125)		(70,125)
Total Other Financing Sources (Uses)	<u>4,500</u>	<u>388,497</u>	<u>150,583</u>		<u>543,580</u>
NET CHANGE IN FUND BALANCES	<u>108,910</u>	<u>227,619</u>	<u>(58,004)</u>	<u>3,518</u>	<u>282,043</u>
FUND BALANCE, JANUARY 1	<u>443,976</u>	<u>1,258,121</u>	<u>101,720</u>	<u>57,201</u>	<u>1,861,018</u>
FUND BALANCE, DECEMBER 31	<u>\$ 552,886</u>	<u>\$ 1,485,740</u>	<u>\$ 43,716</u>	<u>\$ 60,719</u>	<u>\$ 2,143,061</u>

**CITY OF PERHAM, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2018**

**Exhibit C-1**

	<u>Library</u>	<u>Fire and Rescue</u>	<u>Storm Sewer</u>	<u>Lodging Tax</u>	<u>Total Nonmajor Special Revenue Funds Exhibit B-1</u>
<b>ASSETS</b>					
Cash and Investments	\$ 86,533	\$ 272,752	\$ 148,187	\$ 27,786	\$ 535,258
Accounts Receivable		9,830	4,229	10,462	24,521
Tax Receivable - Current	1,302	1,031			2,333
Tax Receivable - Delinquent	469	371			840
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 88,304</u>	<u>\$ 283,984</u>	<u>\$ 152,416</u>	<u>\$ 38,248</u>	<u>\$ 562,952</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 3,097	\$ 5,367	\$ 288	\$	\$ 8,752
Accrued Payroll	429	45			474
Total Liabilities	<u>3,526</u>	<u>5,412</u>	<u>288</u>	<u>          </u>	<u>9,226</u>
Deferred Inflows of Resources					
Unavailable Revenue	469	371			840
Total Deferred Inflows of Resources	<u>469</u>	<u>371</u>	<u>          </u>	<u>          </u>	<u>840</u>
Fund Balance					
Restricted for:					
Marketing				38,248	38,248
Committed for:					
Library	84,309				84,309
Fire and Rescue		278,201			278,201
Storm Sewer			152,128		152,128
Total Fund Balance	<u>84,309</u>	<u>278,201</u>	<u>152,128</u>	<u>38,248</u>	<u>552,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 88,304</u>	<u>\$ 283,984</u>	<u>\$ 152,416</u>	<u>\$ 38,248</u>	<u>\$ 562,952</u>

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED DECEMBER 31, 2018**

**Exhibit C-2**

	<u>Library</u>	<u>Fire and Rescue</u>	<u>Storm Sewer</u>	<u>Lodging Tax</u>	<u>Total Nonmajor Special Revenue Funds Exhibit B-2</u>
<b>REVENUES</b>					
Property Taxes	\$ 144,659	\$ 114,545	\$	\$	\$ 259,204
Hotel/Motel Tax				49,709	49,709
Intergovernmental - State					
Fire Aid		43,157			43,157
PERA	309				309
Other State Aid		3,274			3,274
Intergovernmental - Local					
Other Local Government	39,397				39,397
Township		115,315			115,315
Charges for Services	4,927	53,226	46,042		104,195
Miscellaneous					
Interest on Investments	1,398	2,026	1,775	385	5,584
Contributions	6,797	225			7,022
Reimbursements	2,319				2,319
Other Receipts	212	5,447	30		5,689
Total Revenues	<u>200,018</u>	<u>337,215</u>	<u>47,847</u>	<u>50,094</u>	<u>635,174</u>
<b>EXPENDITURES</b>					
Current					
Public Safety		254,702			254,702
Public Works			33,998		33,998
Culture and Recreation	198,064				198,064
Economic Development				44,000	44,000
Total Expenditures	<u>198,064</u>	<u>254,702</u>	<u>33,998</u>	<u>44,000</u>	<u>530,764</u>
REVENUES OVER EXPENDITURES	<u>1,954</u>	<u>82,513</u>	<u>13,849</u>	<u>6,094</u>	<u>104,410</u>
<b>OTHER FINANCING SOURCES</b>					
Sale of Capital Asset		4,500			4,500
Total Other Financing Sources		<u>4,500</u>			<u>4,500</u>
NET CHANGE IN FUND BALANCES	<u>1,954</u>	<u>87,013</u>	<u>13,849</u>	<u>6,094</u>	<u>108,910</u>
FUND BALANCE, JANUARY 1	<u>82,355</u>	<u>191,188</u>	<u>138,279</u>	<u>32,154</u>	<u>443,976</u>
FUND BALANCE, DECEMBER 31	<u>\$ 84,309</u>	<u>\$ 278,201</u>	<u>\$ 152,128</u>	<u>\$ 38,248</u>	<u>\$ 552,886</u>

**CITY OF PERHAM, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2018**

**Exhibit C-3**

	<u>2005 G.O. Improvement Bonds</u>	<u>2007 G.O. Improvement Bonds</u>	<u>2011A G.O. Improvement Bonds</u>	<u>1999 Industrial Park Improvement</u>	<u>2017A Improvement Bonds</u>	<u>Golf Course</u>
<b>ASSETS</b>						
Cash and Investments	\$ 105,122	\$ 350,908	\$ 139,381	\$ 3	\$ 308,791	\$ 72,015
Taxes Receivable - Current		180	316		729	719
Taxes Receivable - Delinquent		65	113		263	259
Special Assessments Receivable						
Delinquent	1,137	307				
Noncurrent	47,855	131,247	406,686		736,403	
<b>TOTAL ASSETS</b>	<u>\$ 154,114</u>	<u>\$ 482,707</u>	<u>\$ 546,496</u>	<u>\$ 3</u>	<u>\$ 1,046,186</u>	<u>\$ 72,993</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Due to Other Funds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Liabilities	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	48,992	131,619	406,799		736,666	259
Total Deferred Inflows of Resources	<u>48,992</u>	<u>131,619</u>	<u>406,799</u>		<u>736,666</u>	<u>259</u>
<b>FUND BALANCE</b>						
Restricted for Debt Service	105,122	351,088	139,697	3	309,520	72,734
Unassigned						
Total Fund Balance	<u>105,122</u>	<u>351,088</u>	<u>139,697</u>	<u>3</u>	<u>309,520</u>	<u>72,734</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 154,114</u>	<u>\$ 482,707</u>	<u>\$ 546,496</u>	<u>\$ 3</u>	<u>\$ 1,046,186</u>	<u>\$ 72,993</u>

cont.

**CITY OF PERHAM, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2018**

**Exhibit C-3**

	<u>2006 G.O. Bonds</u>	<u>2009B G.O. Refunding Bonds</u>	<u>2009 G.O. Improvement Bonds</u>	<u>2010A G.O. Improvement Bonds</u>	<u>2013 G.O. Improvement Bonds</u>	<u>Victory Estates G.O. Improvement Bonds</u>	<u>Nonmajor Debt Service Funds Exhibit B-1</u>							
<b>ASSETS</b>														
Cash and Investments	\$	\$ 31,393	\$ 135,272	\$ 200,341	\$ 159,508	\$	\$ 1,502,734							
Taxes Receivable - Current		360		493	378		3,175							
Taxes Receivable - Delinquent		129		178	136		1,143							
Special Assessments Receivable														
Delinquent		295	829	440	844	7,877	11,729							
Noncurrent		61,759	140,267	724,104	107,820	120,077	2,702,442							
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>62,054</u></b>	<b>\$</b>	<b><u>172,978</u></b>	<b>\$</b>	<b><u>859,816</u></b>	<b>\$</b>	<b><u>308,832</u></b>	<b>\$</b>	<b><u>387,090</u></b>	<b>\$</b>	<b><u>127,954</u></b>	<b>\$</b>	<b><u>4,221,223</u></b>
<b>LIABILITIES, DEFERRED          INFLOWS OF RESOURCES,          AND FUND BALANCE</b>														
<b>LIABILITIES</b>														
Due to Other Funds	\$	<u>13,380</u>	\$	<u></u>	\$	<u></u>	\$	<u>6,789</u>	\$	<u>20,169</u>	\$	<u>20,169</u>		
Total Liabilities		<u>13,380</u>		<u></u>		<u></u>		<u>6,789</u>		<u>20,169</u>				
<b>DEFERRED INFLOWS          OF RESOURCES</b>														
Unavailable Revenue		<u>62,054</u>	<u>141,225</u>	<u>724,544</u>	<u>107,998</u>	<u>227,204</u>	<u>127,954</u>	<u>2,715,314</u>						
Total Deferred Inflows of Resources		<u>62,054</u>	<u>141,225</u>	<u>724,544</u>	<u>107,998</u>	<u>227,204</u>	<u>127,954</u>	<u>2,715,314</u>						
<b>FUND BALANCE</b>														
Restricted for Debt Service			31,753	135,272	200,834	159,886		1,505,909						
Unassigned		(13,380)					(6,789)	(20,169)						
Total Fund Balance		<u>(13,380)</u>	<u>31,753</u>	<u>135,272</u>	<u>200,834</u>	<u>159,886</u>	<u>(6,789)</u>	<u>1,485,740</u>						
<b>TOTAL LIABILITIES, DEFERRED          INFLOWS OF RESOURCES,          AND FUND BALANCES</b>	<b>\$</b>	<b><u>62,054</u></b>	<b>\$</b>	<b><u>172,978</u></b>	<b>\$</b>	<b><u>859,816</u></b>	<b>\$</b>	<b><u>308,832</u></b>	<b>\$</b>	<b><u>387,090</u></b>	<b>\$</b>	<b><u>127,954</u></b>	<b>\$</b>	<b><u>4,221,223</u></b>

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED DECEMBER 31, 2018**

**Exhibit C-4**

	<u>2005 G.O. Improvement Bonds</u>	<u>2007 G.O. Improvement Bonds</u>	<u>2011A G.O. Improvement Bonds</u>	<u>1999 Industrial Park Improvement</u>	<u>2017A Improvement Bonds</u>	<u>Golf Course</u>
<b>REVENUES</b>						
Property Taxes	\$ 728	\$ 20,260	\$ 34,978	\$	\$ 80,424	\$ 80,458
Special Assessments	95,705	34,085	71,021	3	72,373	
Intergovernmental						
Federal						
Miscellaneous						
Interest on Investments	1,274	6,088	1,798		1,044	1,011
Total Revenues	<u>97,707</u>	<u>60,433</u>	<u>107,797</u>	<u>3</u>	<u>153,841</u>	<u>81,469</u>
<b>EXPENDITURES</b>						
Principal	120,000	85,000	93,000			70,000
Interest	12,498	17,525	24,007		78,860	4,930
Fees	250	250	500		475	500
Total Expenditures	<u>132,748</u>	<u>102,775</u>	<u>117,507</u>	<u></u>	<u>79,335</u>	<u>75,430</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(35,041)</u>	<u>(42,342)</u>	<u>(9,710)</u>	<u>3</u>	<u>74,506</u>	<u>6,039</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers In	70,000	15,000	24,662		97,930	
Total Other Financing Sources	<u>70,000</u>	<u>15,000</u>	<u>24,662</u>	<u></u>	<u>97,930</u>	<u></u>
NET CHANGE IN FUND BALANCES	34,959	(27,342)	14,952	3	172,436	6,039
FUND BALANCE JANUARY 1	<u>70,163</u>	<u>378,430</u>	<u>124,745</u>	<u></u>	<u>137,084</u>	<u>66,695</u>
FUND BALANCE DECEMBER 31	<u>\$ 105,122</u>	<u>\$ 351,088</u>	<u>\$ 139,697</u>	<u>\$ 3</u>	<u>\$ 309,520</u>	<u>\$ 72,734</u>

cont.

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED DECEMBER 31, 2018**

**Exhibit C-4**

	<u>2006 G.O. Bonds</u>	<u>2009B G.O. Refunding Bonds</u>	<u>2009 G.O. Improvement Bonds</u>	<u>2010A G.O. Improvement Bonds</u>	<u>2013 G.O. Improvement Bonds</u>	<u>Victory Estates G.O. Improvement Bonds</u>	<u>Nonmajor Debt Service Funds Exhibit B-2</u>
<b>REVENUES</b>							
Property Taxes	\$ 961	\$ 41,339	\$ 198	\$ 54,948	\$ 42,074	\$ 117	\$ 356,485
Special Assessments	25,311	37,163	93,376	20,128	36,779	8,782	494,726
Intergovernmental							
Federal				12,598			12,598
Miscellaneous							
Interest on Investments	344	425	1,903	3,138	2,379		19,404
Total Revenues	<u>26,616</u>	<u>78,927</u>	<u>95,477</u>	<u>90,812</u>	<u>81,232</u>	<u>8,899</u>	<u>883,213</u>
<b>EXPENDITURES</b>							
Principal	80,000	110,000	90,000	85,000	70,000	7,201	810,201
Interest	2,164	4,443	15,150	38,538	29,145	2,682	229,942
Fees	250	248	475	500	500		3,948
Total Expenditures	<u>82,414</u>	<u>114,691</u>	<u>105,625</u>	<u>124,038</u>	<u>99,645</u>	<u>9,883</u>	<u>1,044,091</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(55,798)</u>	<u>(35,764)</u>	<u>(10,148)</u>	<u>(33,226)</u>	<u>(18,413)</u>	<u>(984)</u>	<u>(160,878)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers In	30,000	93,000	20,000	17,400	20,505		388,497
Total Other Financing Sources	<u>30,000</u>	<u>93,000</u>	<u>20,000</u>	<u>17,400</u>	<u>20,505</u>		<u>388,497</u>
NET CHANGE IN FUND BALANCES	(25,798)	57,236	9,852	(15,826)	2,092	(984)	227,619
FUND BALANCE JANUARY 1	<u>12,418</u>	<u>(25,483)</u>	<u>125,420</u>	<u>216,660</u>	<u>157,794</u>	<u>(5,805)</u>	<u>1,258,121</u>
FUND BALANCE DECEMBER 31	<u>\$ (13,380)</u>	<u>\$ 31,753</u>	<u>\$ 135,272</u>	<u>\$ 200,834</u>	<u>\$ 159,886</u>	<u>\$ (6,789)</u>	<u>\$ 1,485,740</u>

**CITY OF PERHAM, MINNESOTA  
 COMBINING BLANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2018**

**Exhibit C-5**

	<u>2015 Improvement Project</u>	<u>2019 Improvement Project</u>	<u>Total Nonmajor Capital Project Funds Exhibit B-1</u>
<b>ASSETS</b>			
Cash and Investments	\$ 217,885	\$ _____	\$ 217,885
<b>TOTAL ASSETS</b>	<u>\$ 217,885</u>	<u>\$ _____</u>	<u>\$ 217,885</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 118,754	\$ 16,800	\$ 135,554
Due to Other Funds		38,615	38,615
Total Liabilities	<u>118,754</u>	<u>55,415</u>	<u>174,169</u>
<b>FUND BALANCE</b>			
Assigned for Capital Project	99,131		99,131
Unassigned		(55,415)	(55,415)
Total Fund Balance	<u>99,131</u>	<u>(55,415)</u>	<u>43,716</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 217,885</u>	<u>\$ _____</u>	<u>\$ 217,885</u>

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 YEAR ENDED DECEMBER 31, 2018**

**Exhibit C-6**

	<u>Interchange Project</u>	<u>2015 Improvement Project</u>	<u>2017 Improvement Project</u>	<u>2019 Improvement Project</u>	<u>Total Nonmajor Capital Project Funds Exhibit B-2</u>
<b>REVENUES</b>					
Intergovernmental					
Local	\$	\$ 69,592	\$	\$	\$ 69,592
Investment Earnings			1,828		1,828
<b>Total Revenues</b>		<u>69,592</u>	<u>1,828</u>		<u>71,420</u>
<b>EXPENDITURES</b>					
Capital Outlay					
Public Works		162,840	61,752	55,415	280,007
<b>Total Expenditures</b>		<u>162,840</u>	<u>61,752</u>	<u>55,415</u>	<u>280,007</u>
<b>REVENUES UNDER EXPENDITURES</b>		(93,248)	(59,924)	(55,415)	(208,587)
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issued		219,062			219,062
Transfer In	1,646				1,646
Transfer Out			(70,125)		(70,125)
<b>Total Other Financing Sources (Uses)</b>	<u>1,646</u>	<u>219,062</u>	<u>(70,125)</u>		<u>150,583</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,646	125,814	(130,049)	(55,415)	(58,004)
<b>FUND BALANCE, JANUARY 1</b>	<u>(1,646)</u>	<u>(26,683)</u>	<u>130,049</u>		<u>101,720</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$</u>	<u>\$ 99,131</u>	<u>\$</u>	<u>\$ (55,415)</u>	<u>\$ 43,716</u>

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Long Term Debt Issued</u>	<u>Capital Contributions</u>	<u>Sale of Capital Assets</u>	<u>Ending Balance</u>
Primary Government Governmental Funds									
General	\$ 873,608	\$ 1,530,976	\$ 1,759,227	\$ 243,909		\$	\$	\$ 2,400	\$ 891,666
Special Revenue									
Library	82,355	200,018	198,064						84,309
Fire and Rescue	191,188	337,215	254,702					4,500	278,201
Economic Development									
Revolving Loan	1,997,085	146,517	326,450	21,000					1,838,152
TIF Districts	681,210	945,457	552,628	110	213,110				861,039
Storm Sewer	138,279	47,847	33,998						152,128
Lodging Tax	32,154	50,094	44,000						38,248
Debt Service									
1996 IRP Loan Program	2,040,034	65,935	73,016		21,000				2,011,953
2005 G.O. Improvement Bonds	70,163	97,707	132,748	70,000					105,122
2007 G.O. Improvement Bonds	378,430	60,433	102,775	15,000					351,088
1999 Industrial Park Improvement Golf Course	66,695	81,469	75,430						3 72,734
2006 G.O. Bonds	12,418	26,616	82,414	30,000					(13,380)
2009B G.O. Refunding Bonds	(25,483)	78,927	114,691	93,000					31,753
2009 G.O. Improvement Bonds	125,420	95,477	105,625	20,000					135,272
2010A G.O. Improvement Bonds	216,660	90,812	124,038	17,400					200,834
2011A G.O. Improvement Bonds	124,745	107,797	117,507	24,662					139,697
2013 G.O. Improvement Bonds	157,794	81,232	99,645	20,505					159,886
2015 G.O. Improvement Bonds	406,520	180,848	241,560	99,467					445,275
Victory Estates G.O. Improvement Bonds	(5,805)	8,899	9,883						(6,789)
2017A Improvement Bonds	137,084	153,841	79,335	97,930					309,520
Capital Projects									
Permanent Improvement	200,440	342,006	379,137	224,237	30,687				356,859
Interchange Project	(1,646)			1,646					
2015 Improvement Project	(26,683)	69,592	162,840			219,062			99,131
2017 Improvement Project	130,049	1,828	61,752		70,125				
2019 Improvement Project			55,415						(55,415)
Permanent Fund	57,201	3,518							60,719
Total Governmental Funds	<u>8,059,915</u>	<u>4,805,064</u>	<u>5,186,880</u>	<u>978,866</u>	<u>334,922</u>	<u>219,062</u>		<u>6,900</u>	<u>8,548,005</u>

cont.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Long Term Debt Issued</u>	<u>Capital Contributions</u>	<u>Sale of Capital Assets</u>	<u>Ending Balance</u>
Proprietary Funds									
Municipal Liquor	2,016,834	3,544,692	3,032,861		176,250				2,352,415
Gas	3,613,568	6,979,302	6,129,879	18,028	202,079				4,278,940
Sewer and Wastewater	9,173,903	1,390,440	1,120,626		129,802		401,118		9,715,033
Water	5,858,970	846,294	642,177		153,841				5,909,246
Recycling	113,295	87,257	78,922						121,630
<b>Total Proprietary Funds</b>	<b>20,776,570</b>	<b>12,847,985</b>	<b>11,004,465</b>	<b>18,028</b>	<b>661,972</b>		<b>401,118</b>		<b>22,377,264</b>
<b>Total Primary Government</b>	<b>\$ 28,836,485</b>	<b>\$ 17,653,049</b>	<b>\$ 16,191,345</b>	<b>\$ 996,894</b>	<b>\$ 996,894</b>	<b>\$ 219,062</b>	<b>\$ 401,118</b>	<b>\$ 6,900</b>	<b>\$ 30,925,269</b>
Component Units									
Perham Area Community Center	\$ 1,993,307	\$ 1,085,378	\$ 1,153,861	\$	\$	\$	\$	\$	\$ 1,924,824
Perham Golf Course	162,973	1,383,715	1,395,350						151,338
<b>Total Component Units</b>	<b>\$ 2,156,280</b>	<b>\$ 2,469,093</b>	<b>\$ 2,549,211</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,076,162</b>

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2018**

BOND INDEBTEDNESS	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2017	Issued 2018	Retired 2018	Balance 12/31/2018	Principal 2019	Interest 2019
<b>General Obligation Bonds</b>										
G.O. Improvement Bonds of 2010A	4.5 - 5.5	07/01/10	2-1-2019/26	\$ 1,030,000	\$ 810,000	\$	\$ 85,000	\$ 725,000	\$ 85,000	\$ 34,925
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2019/26	337,745	217,000		23,000	194,000	23,000	2,716
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2019/26	148,475	95,000		10,000	85,000	10,000	1,182
G.O. Refunding & Crossover, 2009B	3.2	11/01/09	2/1/2019	505,000	120,000		60,000	60,000	60,000	1,920
G.O. Refunding & Crossover, 2009B	3.2	11/01/09	2/1/2019	3,045,000	225,000		110,000	115,000	115,000	880
G.O. Improvement Bonds 2011	2.25 - 3.4	09/01/11	2-1-2019/27	990,000	700,000		60,000	640,000	65,000	18,241
G.O. Refunding & Crossover, 2012	1.25 - 2.45	03/14/12	2-1-2019/26	1,270,000	805,000		120,000	685,000	120,000	11,118
G.O. Refunding & Crossover, 2012	1.25 - 2.45	03/14/12	2-1-2019/26	660,000	415,000		80,000	335,000	85,000	1,994
G.O. Refunding & Crossover, 2012	1.25 - 2.45	03/14/12	2-1-2019/26	190,000	130,000		25,000	105,000	25,000	4,039
G.O. Improvement Bonds 2013	2.6-3.8	10/02/13	2-1-2019/29	1,115,000	920,000		70,000	850,000	70,000	27,045
G.O. Bonds 2014 Cross Over Refunded 2007A	3.0-4.0	09/10/14	2-1-2019/23	760,000	560,000		85,000	475,000	90,000	14,900
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2019/31	820,000	775,000		45,000	730,000	50,000	18,168
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2019/31	1,535,000	1,440,000		95,000	1,345,000	95,000	33,244
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2019/25	1,580,000	1,420,000		165,000	1,255,000	170,000	26,610
G.O. Bonds Improvement Refunding, Series 2016A	2.0 - 2.5	01/07/16	2-1-2019/25	790,000	695,000		90,000	605,000	90,000	13,350
G.O. Bonds Improvement Refunding, Series 2017A	3.0 - 3.5	08/01/17	2-1-2019/33	2,570,000	2,570,000			2,570,000	110,000	77,210
Total					11,897,000		1,123,000	10,774,000	1,263,000	287,542
<b>General Obligation Revenue Bonds</b>										
G.O. Bonds 2014 Crossover Refunded 2008A	3.0-4.0	09/10/14	2-1-2019/24	510,000	455,000		60,000	395,000	60,000	13,000
G.O. Revenue Bonds - PFA	2.79	11/19/99	8/20/2019	607,436	79,000		39,000	40,000	40,000	1,116
G.O. Bonds (MPFA)	2.7	01/28/09	8-20-2019/28	2,422,209	1,538,000		122,000	1,416,000	125,000	38,841
G.O. Bonds (MPFA)	1.00	11/16/12	8-20-2019/42	3,014,667	2,614,000		93,000	2,521,000	94,000	25,210
G.O. Improvement Bonds 2012B	2.4	03/28/12	11-1-2019/20	585,000	220,000		70,000	150,000	75,000	3,600
G.O. Bonds (MPFA) Clean Water	1.045	09/23/15	8-20-2019/35	1,169,522	933,760	114,510	53,270	995,000	54,000	10,398
G.O. Bonds (MPFA) Drinking Water	1.045	09/23/15	8-20-2019/35	1,082,233	850,024	104,552	48,576	906,000	49,000	9,468
Total					6,689,784	219,062	485,846	6,423,000	497,000	101,633
<b>Revenue Bonds</b>										
Gas Utility Refunding Bond 2009C	3.9 - 4.7	11/17/09	6-1-2019/29	4,060,000	2,790,000		185,000	2,605,000	190,000	111,980
Total					2,790,000		185,000	2,605,000	190,000	111,980
Total Bonds					21,376,784	219,062	1,793,846	19,802,000	1,950,000	501,155
<b>Loans</b>										
U.S. Department of Agriculture	1.0	11/28/94	11-28-2019/24	1,000,000	274,088		38,384	235,704	38,741	2,384
U.S. Department of Agriculture	1.0	04/24/98	4-24-2019/28	775,000	330,368		28,574	301,794	28,842	3,034
United Community Bank - Golf Course	3.5	11/15/04	10-15-19/21	300,000	89,750		50,000	39,750	20,000	3,500
Contract for Deed	1.3	07/01/11		312,000	40,313		40,313			
Total					734,519		157,271	577,248	87,583	8,918
Total Primary Government Indebtedness					22,111,303	219,062	1,951,117	20,379,248	2,037,583	510,073
<b>Loans Payable</b>										
VGM Financial Services	0.0	04/28/12	11/15/2019	93,136	37,603		15,410	22,193	22,193	
United Community Bank Golf Cart	0.0			169,579	169,579		17,864	151,715		
Golf Course Loan	0.0	01/01/18	11/15/2019	31,098		31,098		31,098	31,098	
Total Component Unit Indebtedness					207,182	31,098	33,274	205,006	53,291	
Total Indebtedness					\$ 22,318,485	\$ 250,160	\$ 1,984,391	\$ 20,584,254	\$ 2,090,874	\$ 510,073

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor  
and Members of the City Council  
City of Perham  
Perham, 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 Perham, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2019. We did not express an opinion on the discretely presented component units because we were not engaged to audit the discretely presented component units.

### Legal Compliance

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 Perham, Minnesota, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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's noncompliance with the above referenced provisions.

### Purpose of the Report

This report is intended solely for the information and use of those charged with governance and management of the City of Perham and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

May 21, 2019

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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

To the Honorable Mayor  
and Members of the City Council  
City of Perham  
Perham, 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 Perham, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Perham, Minnesota's basic financial statements and have issued our report thereon dated May 21, 2019. We did not express an opinion on the discretely presented component units because we were not engaged to audit the discretely presented component units. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 a deficiency in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

### **The City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

May 21, 2019

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2018**

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**2018-001 FINDING**

Criteria

The City does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by GAAP for external reporting.

Cause

The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting entries and the completed statements prior to distribution to the end users.

Recommendation

For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

View of Responsible Officials and Planned Corrective Action

The City agrees with the recommendation and will review on an annual basis.

**CITY OF PERHAM, MINNESOTA  
CORRECTIVE ACTION PLAN  
DECEMBER 31, 2018**

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**2018-001 FINDING**

Contact Person – Patti Stokke, Finance Officer

Corrective Action Plan – Will obtain internal expertise to handle all aspects of external financial reporting when it becomes economically feasible.

Completion Date – Ongoing