

**CITY OF PERHAM
PERHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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CITY OF PERHAM, MINNESOTA
CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2021

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Perham, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Perham, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Perham, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Perham, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion 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.

Supplementary 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 are presented for purposes of additional analysis and are

not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund 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 basic financial statements as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, 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 18, 2022

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**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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 \$71,104,785 (net position). Of this amount, \$12,895,342 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 \$1,001,050, or 51% of the total general fund expenditures, a decrease of \$31,436 over the year ended 2020.

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.

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 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.

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

The City maintains 13 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, TIF Districts, Debt Service, Capital Projects, all of which are considered major funds. Data from the other 9 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 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, 2021**

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 \$71,104,785 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 22,393,794	\$ 17,105,196	\$ 12,110,988	\$ 10,689,934	\$ 34,504,782	\$ 27,795,130
Capital Assets	44,444,257	30,958,395	24,551,520	24,495,903	68,995,777	55,454,298
Total Assets	<u>66,838,051</u>	<u>48,063,591</u>	<u>36,662,508</u>	<u>35,185,837</u>	<u>103,500,559</u>	<u>83,249,428</u>
Deferred Outflows of Resources	<u>729,743</u>	<u>311,066</u>	<u>305,684</u>	<u>40,921</u>	<u>1,035,427</u>	<u>351,987</u>
Long-term Liabilities	22,475,243	14,437,832	6,506,470	7,356,726	28,981,713	21,794,558
Other Liabilities	1,688,899	581,934	1,280,999	913,343	2,969,898	1,495,277
Total Liabilities	<u>24,164,142</u>	<u>15,019,766</u>	<u>7,787,469</u>	<u>8,270,069</u>	<u>31,951,611</u>	<u>23,289,835</u>
Deferred Inflows of Resources	<u>1,086,590</u>	<u>409,508</u>	<u>393,000</u>	<u>29,952</u>	<u>1,479,590</u>	<u>439,460</u>
Net Position						
Net Investment in Capital						
Assets	23,008,529	17,927,771	18,572,472	17,800,095	41,581,001	35,727,866
Restricted	15,548,940	11,436,551	1,079,502	950,991	16,628,442	12,387,542
Unrestricted	<u>3,759,593</u>	<u>3,581,061</u>	<u>9,135,749</u>	<u>8,175,651</u>	<u>12,895,342</u>	<u>11,756,712</u>
Total Net Position	<u>\$ 42,317,062</u>	<u>\$ 32,945,383</u>	<u>\$ 28,787,723</u>	<u>\$ 26,926,737</u>	<u>\$ 71,104,785</u>	<u>\$ 59,872,120</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, 2021**

Change in Net Position

	Governmental		Business-type		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 493,716	\$ 540,661	\$ 14,165,788	\$ 13,108,241	\$ 14,659,504	\$ 13,648,902
Operating Grants and Contributions	1,197,272	1,299,232			1,197,272	1,299,232
Capital Grants and Contributions	8,617,903	5,086,649			8,617,903	5,086,649
General Revenues						
Taxes	2,728,531	2,633,203			2,728,531	2,633,203
Unrestricted State Aid	611,811	600,625	10,000	8,466	621,811	609,091
Unrestricted Investment Earnings	173,260	223,375	74,180	112,019	247,440	335,394
Gain on Sale of Capital Assets	61,953	25,000	73,807	182,820	135,760	207,820
Other General Revenue	89,384	70,768			89,384	70,768
Total Revenues	<u>13,973,830</u>	<u>10,479,513</u>	<u>14,323,775</u>	<u>13,411,546</u>	<u>28,297,605</u>	<u>23,891,059</u>
Expenses						
General Government	489,544	526,599			489,544	526,599
Public Safety	1,143,027	1,169,442			1,143,027	1,169,442
Public Works	1,226,855	1,220,516			1,226,855	1,220,516
Culture and Recreation	949,462	856,702			949,462	856,702
Economic Development	762,380	947,894			762,380	947,894
Airport	122,800	130,561			122,800	130,561
Interest on Long-term Debt	332,585	315,468			332,585	315,468
Municipal Liquor			3,774,498	3,777,394	3,774,498	3,777,394
Gas			6,336,819	5,336,006	6,336,819	5,336,006
Sewer and Wastewater			1,221,867	1,135,554	1,221,867	1,135,554
Water			620,715	566,452	620,715	566,452
Recycling			84,388	93,553	84,388	93,553
Total Expenses	<u>5,026,653</u>	<u>5,167,182</u>	<u>12,038,287</u>	<u>10,908,959</u>	<u>17,064,940</u>	<u>16,076,141</u>
Change in Net Position Before Transfers	8,947,177	5,312,331	2,285,488	2,502,587	11,232,665	7,814,918
Transfers	<u>424,502</u>	<u>366,545</u>	<u>(424,502)</u>	<u>(366,545)</u>		
Change in Net Position	<u>9,371,679</u>	<u>5,678,876</u>	<u>1,860,986</u>	<u>2,136,042</u>	<u>11,232,665</u>	<u>7,814,918</u>
Net Position - January 1	<u>32,945,383</u>	<u>27,266,507</u>	<u>26,926,737</u>	<u>24,790,695</u>	<u>59,872,120</u>	<u>52,057,202</u>
Net Position - December 31	<u>\$ 42,317,062</u>	<u>\$ 32,945,383</u>	<u>\$ 28,787,723</u>	<u>\$ 26,926,737</u>	<u>\$ 71,104,785</u>	<u>\$ 59,872,120</u>

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Governmental activities. Governmental activities increased the City's net position by \$9,371,679. A key element of the increase is as follows:

- Strong fiscal management of expenses and an increase in State and Federal grants combined with a recent Local Option Sales tax have contributed to the increase.

Business-type activities. Business-type activities increased the City's net position by \$1,860,986. 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)
	12/31/2021	12/31/2020		
Governmental Funds				
General Fund	\$ 1,001,050	\$ 1,032,486	\$ (31,436)	-3%
TIF Districts	1,527,879	1,174,691	353,188	30%
Debt Service	3,781,127	2,895,406	885,721	31%
Capital Project	4,280,161	1,632,481	2,647,680	162%
Proprietary Funds				
Gas	6,064,775	5,457,070	607,705	11%
Sewer and Wastewater	11,404,749	11,049,367	355,382	3%
Water	7,564,705	7,141,751	422,954	6%
Municipal Liquor	3,572,814	3,122,174	450,640	14%

General Fund Budgetary Highlights

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

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, 2021, amounts to \$68,995,777 (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.

**CITY OF PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Capital Assets
(Net of Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$ 619,894	\$ 531,274	\$ 1,372,072	\$ 1,372,072	\$ 1,991,966	\$ 1,903,346
Construction In Process	14,467,839	3,290,006			14,467,839	3,290,006
Buildings	6,068,533	6,145,996	667,781	693,075	6,736,314	6,839,071
Improvements Other Than Buildings	20,745,729	18,441,039	20,043,749	20,102,805	40,789,478	38,543,844
Machinery and Equipment	2,542,262	2,550,080	2,467,918	2,327,951	5,010,180	4,878,031
Total	\$ 44,444,257	\$ 30,958,395	\$ 24,551,520	\$ 24,495,903	\$ 68,995,777	\$ 55,454,298

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

- Renovations of the Perham Area Community Center and the HUB Family Services project.

Additional information on the City's capital assets can be found in Note 3 of this report.

Long-term Liabilities. At the end of the current fiscal year, the City had \$27,059,273 in bonds and other long-term obligations.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 9,899,000	\$ 10,288,000	\$ 770,000	\$ 970,000	\$ 10,669,000	\$ 11,258,000
General Obligation Revenue Bonds	10,870,603	2,357,845	3,473,000	3,765,000	14,343,603	6,122,845
Revenue Bonds			1,714,000	1,930,000	1,714,000	1,930,000
Loans Payable	332,670	401,656			332,670	401,656
Total	\$ 21,102,273	\$ 13,047,501	\$ 5,957,000	\$ 6,665,000	\$ 27,059,273	\$ 19,712,501

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors

Generally, the economic conditions of the community are stable. The City has experienced major additions in housing and industrial expansion growth.. The 2021 building permits showed significant additions. Job growth is steadily increasing. Property valuations continue to increase. 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.

Enterprise funds continue to perform well. The liquor fund maintained a high level of sales after a record setting year. The gas fund continues to see growth and look for ways to continue expansion and replacement.

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.

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**CITY OF PERHAM, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Exhibit A-1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Investments	\$ 14,918,700	\$ 8,833,451	\$ 23,752,151
Receivables			
Accounts (Net of Allowance)	125,001	1,197,271	1,322,272
Due from Other Governments	834,649		834,649
Interest Receivable	6,066		6,066
Current Taxes	15,657		15,657
Delinquent Taxes	46,372		46,372
Special Assessments	4,719,393		4,719,393
Notes Receivable (Net of Allowance)	1,678,858	151,536	1,830,394
Internal Balances	(434,584)	434,584	
Inventory		414,644	414,644
Restricted Cash:			
Bond Covenants		1,079,502	1,079,502
Net Pension Asset - VFD	483,682		483,682
Capital Assets			
Land	619,894	1,372,072	1,991,966
Construction In Process	14,467,839		14,467,839
Buildings	9,523,339	1,002,684	10,526,023
Improvements Other than Buildings	30,047,410	32,941,363	62,988,773
Machinery and Equipment	5,438,730	3,735,524	9,174,254
Less: Accumulated Depreciation	(15,652,955)	(14,500,123)	(30,153,078)
Total Capital Assets, Net of Depreciation	<u>44,444,257</u>	<u>24,551,520</u>	<u>68,995,777</u>
TOTAL ASSETS	<u>66,838,051</u>	<u>36,662,508</u>	<u>103,500,559</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	<u>729,743</u>	<u>305,684</u>	<u>1,035,427</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>729,743</u>	<u>305,684</u>	<u>1,035,427</u>
LIABILITIES			
Accounts Payable	1,330,311	1,144,828	2,475,139
Accrued Payroll	17,956	17,022	34,978
Consumer Deposits		66,375	66,375
Unearned Revenue	180,536	21,068	201,604
Accrued Interest Payable	160,096	31,706	191,802
Noncurrent Liabilities			
Net Pension Liability	558,673	424,804	983,477
Due Within One Year	1,766,711	792,055	2,558,766
Due in More than One Year	<u>20,149,859</u>	<u>5,289,611</u>	<u>25,439,470</u>
TOTAL LIABILITIES	<u>24,164,142</u>	<u>7,787,469</u>	<u>31,951,611</u>
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	<u>1,086,590</u>	<u>393,000</u>	<u>1,479,590</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,086,590</u>	<u>393,000</u>	<u>1,479,590</u>
NET POSITION			
Net Investment in Capital Assets	23,008,529	18,572,472	41,581,001
Restricted for:			
Park - Nonexpendable	50,000		50,000
TIF Districts	1,556,763		1,556,763
Capital Projects	4,295,524		4,295,524
Development	1,999		1,999
Marketing	86,358		86,358
Debt Service	9,558,296		9,558,296
Bond Covenants		1,079,502	1,079,502
Unrestricted	<u>3,759,593</u>	<u>9,135,749</u>	<u>12,895,342</u>
TOTAL NET POSITION	<u>\$ 42,317,062</u>	<u>\$ 28,787,723</u>	<u>\$ 71,104,785</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

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		
					Governmental Activities	Business-type Activities	Total
<i>Primary Government:</i>							
Governmental Activities:							
General Government	\$ 489,544	\$ 233,443	\$ 102,671	\$	\$ (153,430)	\$	\$ (153,430)
Public Safety	1,143,027	69,291	260,638	186,476	(626,622)		(626,622)
Public Works	1,226,855	46,531	6,551	1,104,794	(68,979)		(68,979)
Culture and Recreation	949,462	5,693	731,788	7,326,633	7,114,652		7,114,652
Economic Development	762,380	55,561	78,997		(627,822)		(627,822)
Airport	122,800	83,197	11,810		(27,793)		(27,793)
Interest on Long-term Debt	332,585		4,817		(327,768)		(327,768)
Total Governmental Activities	<u>5,026,653</u>	<u>493,716</u>	<u>1,197,272</u>	<u>8,617,903</u>	<u>5,282,238</u>		<u>5,282,238</u>
Business-type Activities:							
Municipal Liquor	3,774,498	4,397,819				623,321	623,321
Gas	6,336,819	7,133,244				796,425	796,425
Sewer and Wastewater	1,221,867	1,528,265				306,398	306,398
Water	620,715	998,634				377,919	377,919
Recycling	84,388	107,826				23,438	23,438
Total Business-type Activities	<u>12,038,287</u>	<u>14,165,788</u>				<u>2,127,501</u>	<u>2,127,501</u>
Total Primary Government	<u>\$ 17,064,940</u>	<u>\$ 14,659,504</u>	<u>\$ 1,197,272</u>	<u>\$ 8,617,903</u>	<u>5,282,238</u>	<u>2,127,501</u>	<u>7,409,739</u>
General Revenues:							
Property Taxes					2,603,425		2,603,425
Hotel/Motel Taxes					55,131		55,131
Taxes Franchise Fees					69,975		69,975
Unrestricted State Aid					611,811	10,000	621,811
Unrestricted Investment Earnings					173,260	74,180	247,440
Gain on Sale of Capital Assets					61,953	73,807	135,760
Other General Revenue					89,384		89,384
Transfers					<u>424,502</u>	<u>(424,502)</u>	
Total General Revenues and Transfers					<u>4,089,441</u>	<u>(266,515)</u>	<u>3,822,926</u>
Change in Net Position					<u>9,371,679</u>	<u>1,860,986</u>	<u>11,232,665</u>
Net Position - January 1					<u>32,945,383</u>	<u>26,926,737</u>	<u>59,872,120</u>
Net Position - December 31					<u>\$ 42,317,062</u>	<u>\$ 28,787,723</u>	<u>\$ 71,104,785</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

Exhibit A-3

	<u>General</u>	<u>TIF Districts</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Investments	\$ 1,218,421	\$ 1,527,881	\$ 3,704,477	\$ 4,684,317	\$ 3,783,604	\$ 14,918,700
Receivables						
Accounts	31,934		72,294		20,773	125,001
Due From Other Governments				834,649		834,649
Interest	6,066					6,066
Tax						
Current	5,305		4,356		5,996	15,657
Delinquent	7,981	22,819	6,553		9,019	46,372
Special Assessments						
Delinquent	43		5,624		373	6,040
Noncurrent			4,348,082		365,271	4,713,353
Notes Receivable					1,678,858	1,678,858
TOTAL ASSETS	\$ 1,269,750	\$ 1,550,700	\$ 8,141,386	\$ 5,518,966	\$ 5,863,894	\$ 22,344,696
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 66,859			\$ 1,238,805	\$ 24,647	\$ 1,330,311
Accrued Payroll	13,282				4,674	17,956
Due to Other Funds					434,584	434,584
Total Liabilities	<u>80,141</u>			<u>1,238,805</u>	<u>463,905</u>	<u>1,782,851</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	<u>188,559</u>	<u>22,821</u>	<u>4,360,259</u>		<u>374,663</u>	<u>4,946,302</u>
Total Deferred Inflows of Resources	<u>188,559</u>	<u>22,821</u>	<u>4,360,259</u>		<u>374,663</u>	<u>4,946,302</u>
FUND BALANCES						
Nonspendable - Endowment					50,000	50,000
Restricted for:						
TIF District		1,527,879				1,527,879
Marketing					86,359	86,359
Development					2,000	2,000
Debt Service			3,781,127		1,909,702	5,690,829
Committed for:						
Development					457,729	457,729
Revolving Loans					1,361,071	1,361,071
Library					102,175	102,175
Fire and Rescue					127,527	127,527
Storm Sewer					201,419	201,419
Assigned for:						
Fairgrounds					120,870	120,870
PACC					68,904	68,904
Park					10,356	10,356
Capital Projects				4,280,161	527,214	4,807,375
Unassigned	<u>1,001,050</u>					<u>1,001,050</u>
Total Fund Balances	<u>1,001,050</u>	<u>1,527,879</u>	<u>3,781,127</u>	<u>4,280,161</u>	<u>5,025,326</u>	<u>15,615,543</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,269,750	\$ 1,550,700	\$ 8,141,386	\$ 5,518,966	\$ 5,863,894	\$ 22,344,696

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, 2021**

Exhibit A-4

Total fund balances - governmental funds	\$ 15,615,543
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	60,097,212
Less accumulated depreciation	(15,652,955)
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.	729,743
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	(20,769,603)
Net Pension Liability	(558,673)
Other Long-Term Obligations	(332,670)
Issuance Premiums and Discounts (to be amortized as interest expense)	(666,124)
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.	(1,086,590)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(160,096)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(148,173)
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	483,682
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>4,765,766</u>
Net position - governmental activities	<u>\$ 42,317,062</u>

CITY OF PERHAM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

Exhibit A-5

	<u>General</u>	<u>TIF Districts</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$ 527,892	\$ 996,169	\$ 434,389	\$	\$ 629,505	\$ 2,587,955
Hotel/Motel Tax					55,131	55,131
Local Sales Tax			678,415			678,415
Special Assessments	497		631,901		28,255	660,653
Licenses and Permits	173,693					173,693
Intergovernmental						
Federal	18,632		4,817		186,476	209,925
State	681,222			6,135,048	139,564	6,955,834
Local	8,268				175,864	184,132
Charges for Services	111,927				117,749	229,676
Fines and Forfeitures	13,520					13,520
Miscellaneous						
Interest on Loans Receivable					78,567	78,567
Interest on Investments		6,687	15,963	13,299	20,289	56,238
Rents					44,675	44,675
Contributions	3,777				132,007	135,784
Reimbursements	53,959			1,589,400	8,076	1,651,435
Other Receipts	64,173				37,857	102,030
Total Revenues	<u>1,657,560</u>	<u>1,002,856</u>	<u>1,765,485</u>	<u>7,737,747</u>	<u>1,654,015</u>	<u>13,817,663</u>
EXPENDITURES						
Current						
General Government	375,662					375,662
Public Safety	842,005				489,590	1,331,595
Public Works	272,584				15,647	288,231
Culture and Recreation	408,342			32,400	324,683	765,425
Economic Development		474,668			295,248	769,916
Airport	58,820					58,820
Debt Service						
Principal			2,713,000		118,987	2,831,987
Interest			300,770		36,785	337,555
Fees			63,004			63,004
Capital Outlay						
General Government					239,187	239,187
Public Safety					9,034	9,034
Public Works				1,498,556	136,228	1,634,784
Culture and Recreation				13,076,862	112,001	13,188,863
Airport					2,100	2,100
Total Expenditures	<u>1,957,413</u>	<u>474,668</u>	<u>3,076,774</u>	<u>14,607,818</u>	<u>1,779,490</u>	<u>21,896,163</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(299,853)</u>	<u>528,188</u>	<u>(1,311,289)</u>	<u>(6,870,071)</u>	<u>(125,475)</u>	<u>(8,078,500)</u>
OTHER FINANCING SOURCES (USES)						
Bond Issued			1,355,000	9,531,759		10,886,759
Bond Premium Issued			133,921	179,565		313,486
Sale of Capital Asset				710	61,243	61,953
Transfers In	278,319		708,089		269,598	1,256,006
Transfers Out	(9,902)	(175,000)		(194,283)	(63,069)	(442,254)
Total Other Financing Sources (Uses)	<u>268,417</u>	<u>(175,000)</u>	<u>2,197,010</u>	<u>9,517,751</u>	<u>267,772</u>	<u>12,075,950</u>
NET CHANGE IN FUND BALANCES	<u>(31,436)</u>	<u>353,188</u>	<u>885,721</u>	<u>2,647,680</u>	<u>142,297</u>	<u>3,997,450</u>
FUND BALANCE, JANUARY 1	<u>1,032,486</u>	<u>1,174,691</u>	<u>2,895,406</u>	<u>1,632,481</u>	<u>4,883,029</u>	<u>11,618,093</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,001,050</u>	<u>\$ 1,527,879</u>	<u>\$ 3,781,127</u>	<u>\$ 4,280,161</u>	<u>\$ 5,025,326</u>	<u>\$ 15,615,543</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, 2021**

Exhibit A-6

Total net change in fund balances - governmental funds	\$ 3,997,450
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	14,938,945
Depreciation expense	(1,453,083)
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.	(10,886,758)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,831,986
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.	(308,516)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	94,216
Change in deferred outflows and inflows of resources related to net pension liability	(258,405)
Change in net pension asset	117,138
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	(14,985)
Net Pension Liability	<u>313,691</u>
Change in net position - governmental activities	<u>\$ 9,371,679</u>

**CITY OF PERHAM, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

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>
ASSETS						
CURRENT ASSETS						
Cash and Investments	\$ 1,569,954	\$ 2,188,380	\$ 2,532,203	\$ 2,376,061	\$ 166,853	\$ 8,833,451
Accounts Receivable (Net of Allowance)	934,247	197,111	57,374	200	8,339	1,197,271
Notes Receivable	151,536					151,536
Due from Other Funds			195,983	238,601		434,584
Inventory				414,644		414,644
Total Current Assets	<u>2,655,737</u>	<u>2,385,491</u>	<u>2,785,560</u>	<u>3,029,506</u>	<u>175,192</u>	<u>11,031,486</u>
NONCURRENT ASSETS						
Restricted Cash:						
Bond Covenants		1,079,502				1,079,502
Capital Assets						
Land	7,000	749,878	394,431	220,763		1,372,072
Buildings	6,000	45,210		951,474		1,002,684
Machinery and Equipment	2,575,066	793,649	147,365	119,795	99,649	3,735,524
Improvements Other than Buildings	9,583,496	15,099,131	8,258,736			32,941,363
Less: Accumulated Depreciation	<u>(5,139,063)</u>	<u>(6,086,057)</u>	<u>(2,810,895)</u>	<u>(380,443)</u>	<u>(83,665)</u>	<u>(14,500,123)</u>
Total Capital Assets	<u>7,032,499</u>	<u>10,601,811</u>	<u>5,989,637</u>	<u>911,589</u>	<u>15,984</u>	<u>24,551,520</u>
Total Noncurrent Assets	<u>7,032,499</u>	<u>11,681,313</u>	<u>5,989,637</u>	<u>911,589</u>	<u>15,984</u>	<u>25,631,022</u>
Total Assets	<u>9,688,236</u>	<u>14,066,804</u>	<u>8,775,197</u>	<u>3,941,095</u>	<u>191,176</u>	<u>36,662,508</u>
DEFERRED OUTFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	<u>98,352</u>	<u>55,820</u>	<u>55,820</u>	<u>93,034</u>	<u>2,658</u>	<u>305,684</u>
Total Deferred Outflows of Resources	<u>98,352</u>	<u>55,820</u>	<u>55,820</u>	<u>93,034</u>	<u>2,658</u>	<u>305,684</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	866,498	47,118	46,904	179,741	4,567	1,144,828
Accrued Payroll	5,171	2,628	2,628	6,169	426	17,022
Consumer Deposits	62,725		3,650			66,375
Accrued Interest Payable	10,363	11,162	10,181			31,706
Unearned Revenue	21,068					21,068
Current Portion - Long Term Liabilities	<u>420,003</u>	<u>212,931</u>	<u>146,421</u>	<u>12,217</u>	<u>483</u>	<u>792,055</u>
Total Current Liabilities	<u>1,385,828</u>	<u>273,839</u>	<u>209,784</u>	<u>198,127</u>	<u>5,476</u>	<u>2,073,054</u>
NONCURRENT LIABILITIES						
Bonds Payable, Net	2,463,030	2,485,018	1,031,000			5,979,048
Compensated Absences	29,841	22,611	22,611	26,508	1,047	102,618
Net Pension Liability	136,675	77,572	77,572	129,289	3,696	424,804
Less: Current Portion of Long Term Liabilities	<u>(420,003)</u>	<u>(212,931)</u>	<u>(146,421)</u>	<u>(12,217)</u>	<u>(483)</u>	<u>(792,055)</u>
Total Noncurrent Liabilities	<u>2,209,543</u>	<u>2,372,270</u>	<u>984,762</u>	<u>143,580</u>	<u>4,260</u>	<u>5,714,415</u>
Total Liabilities	<u>3,595,371</u>	<u>2,646,109</u>	<u>1,194,546</u>	<u>341,707</u>	<u>9,736</u>	<u>7,787,469</u>
DEFERRED INFLOWS OF RESOURCES						
Cost Sharing Defined Benefit Pension Plan	<u>126,442</u>	<u>71,766</u>	<u>71,766</u>	<u>119,608</u>	<u>3,418</u>	<u>393,000</u>
Total Deferred Inflows of Resources	<u>126,442</u>	<u>71,766</u>	<u>71,766</u>	<u>119,608</u>	<u>3,418</u>	<u>393,000</u>
NET POSITION						
Net Investment in Capital Assets	4,569,469	8,116,793	4,958,637	911,589	15,984	18,572,472
Restricted for Bond Covenants		1,079,502				1,079,502
Unrestricted	<u>1,495,306</u>	<u>2,208,454</u>	<u>2,606,068</u>	<u>2,661,225</u>	<u>164,696</u>	<u>9,135,749</u>
Total Net Position	<u>\$ 6,064,775</u>	<u>\$ 11,404,749</u>	<u>\$ 7,564,705</u>	<u>\$ 3,572,814</u>	<u>\$ 180,680</u>	<u>\$ 28,787,723</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, 2021

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>
OPERATING REVENUES						
Sales	\$ 6,873,617	\$	\$	\$ 4,394,665	\$	\$ 11,268,282
Cost of Sales	5,169,901			3,148,926		8,318,827
Gross Profit	1,703,716			1,245,739		2,949,455
Charges for Services	40,790	1,411,221	952,370		106,757	2,511,138
Other Services	164,621	103,089	22,525	275	903	291,413
Total Operating Revenues	<u>1,909,127</u>	<u>1,514,310</u>	<u>974,895</u>	<u>1,246,014</u>	<u>107,660</u>	<u>5,752,006</u>
OPERATING EXPENSES						
Purchased Services					57,112	57,112
Professional Fees	211,730	47,342	66,739	18,952	85	344,848
Salaries and Benefits	341,156	154,961	166,403	393,294	12,839	1,068,653
Utilities	11,233	336,107	46,862	19,598		413,800
Maintenance and Supplies	137,298	151,901	86,091	27,389	4,974	407,653
Insurance	17,509	19,781	5,871	9,185	628	52,974
Depreciation	298,826	447,021	204,695	33,497	6,097	990,136
Other Expenses	78,763	38,737	13,453	120,407	2,653	254,013
Total Operating Expenses	<u>1,096,515</u>	<u>1,195,850</u>	<u>590,114</u>	<u>622,322</u>	<u>84,388</u>	<u>3,589,189</u>
Income	<u>812,612</u>	<u>318,460</u>	<u>384,781</u>	<u>623,692</u>	<u>23,272</u>	<u>2,162,817</u>
NONOPERATING REVENUE (EXPENSE)						
Intergovernmental						
State			10,000			10,000
Interest on Investments	12,236	18,700	19,346	23,031	867	74,180
Refunds and Reimbursements	54,216	13,955	23,739	2,879	166	94,955
Gain on Sale of Capital Asset		36,200	37,607			73,807
Contributions Made				(3,250)		(3,250)
Interest Expense	(70,403)	(26,017)	(30,601)			(127,021)
Total Nonoperating Revenue (Expense)	<u>(3,951)</u>	<u>42,838</u>	<u>60,091</u>	<u>22,660</u>	<u>1,033</u>	<u>122,671</u>
Income before Contributions and Transfers	808,661	361,298	444,872	646,352	24,305	2,285,488
Capital Contributions		181,650	207,600			389,250
Transfers In	1,683			6,038		7,721
Transfers Out	(202,639)	(187,566)	(229,518)	(201,750)		(821,473)
Change in Net Position	<u>607,705</u>	<u>355,382</u>	<u>422,954</u>	<u>450,640</u>	<u>24,305</u>	<u>1,860,986</u>
TOTAL NET POSITION, JANUARY 1	<u>5,457,070</u>	<u>11,049,367</u>	<u>7,141,751</u>	<u>3,122,174</u>	<u>156,375</u>	<u>26,926,737</u>
TOTAL NET POSITION, DECEMBER 31	<u>\$ 6,064,775</u>	<u>\$ 11,404,749</u>	<u>\$ 7,564,705</u>	<u>\$ 3,572,814</u>	<u>\$ 180,680</u>	<u>\$ 28,787,723</u>

**CITY OF PERHAM, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

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>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 6,846,775	\$ 1,486,531	\$ 976,616	\$ 4,394,929	\$ 108,114	\$ 13,812,965
Receipts from Interfund Services Provided	3,432					3,432
Payments to Suppliers	(5,341,290)	(566,903)	(195,051)	(3,366,013)	(65,690)	(9,534,947)
Payments for Interfund Services Used		(117)	(273)	(3,042)		(3,432)
Payments to Employees	(354,009)	(160,777)	(172,219)	(400,398)	(13,113)	(1,100,516)
Net Cash Provided by Operating Activities	<u>1,154,908</u>	<u>758,734</u>	<u>609,073</u>	<u>625,476</u>	<u>29,311</u>	<u>3,177,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Change in Interfund Loans			26,869	74,216		101,085
Nonoperating Revenue	54,217	13,956	33,732	2,878	165	104,948
Changes in Note Receivable	46,136					46,136
Nonoperating Expense				(3,250)		(3,250)
Transfers from Other Funds	1,683			6,038		7,721
Transfers to Other Funds	(202,639)	(187,566)	(229,518)	(201,750)		(821,473)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(100,603)</u>	<u>(173,610)</u>	<u>(168,917)</u>	<u>(121,868)</u>	<u>165</u>	<u>(564,833)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(398,423)	(243,080)				(641,503)
Proceeds from Sale of Capital Asset		21,200	37,610			58,810
Payment of Long-Term Debt	(391,000)	(191,510)	(132,000)			(714,510)
Interest on Long-Term Debt	(74,821)	(27,851)	(31,904)			(134,576)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(864,244)</u>	<u>(441,241)</u>	<u>(126,294)</u>			<u>(1,431,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Earnings	12,236	18,700	19,346	23,031	867	74,180
Net Cash Provided by Investing Activities	<u>12,236</u>	<u>18,700</u>	<u>19,346</u>	<u>23,031</u>	<u>867</u>	<u>74,180</u>
INCREASE IN CASH AND CASH EQUIVALENTS	202,297	162,583	333,208	526,639	30,343	1,255,070
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,367,657</u>	<u>3,105,299</u>	<u>2,198,995</u>	<u>1,849,422</u>	<u>136,510</u>	<u>8,657,883</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,569,954</u>	<u>\$ 3,267,882</u>	<u>\$ 2,532,203</u>	<u>\$ 2,376,061</u>	<u>\$ 166,853</u>	<u>\$ 9,912,953</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash						
Cash and Investments	\$ 1,569,954	\$ 2,188,380	\$ 2,532,203	\$ 2,376,061	\$ 166,853	\$ 8,833,451
Restricted Cash - Bond Covenants		1,079,502				1,079,502
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 1,569,954</u>	<u>\$ 3,267,882</u>	<u>\$ 2,532,203</u>	<u>\$ 2,376,061</u>	<u>\$ 166,853</u>	<u>\$ 9,912,953</u>

cont.

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

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>
CASH FLOWS FROM OPERATING ACTIVITIES						
Income	\$ 812,612	\$ 318,460	\$ 384,781	\$ 623,692	\$ 23,272	\$ 2,162,817
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	298,826	447,021	204,695	33,497	6,097	990,136
Change in:						
Accounts Receivable	(247,667)	(27,779)	1,771	(11)	454	(273,232)
Inventory				(39,979)		(39,979)
Deferred Outflows of Resources	(85,185)	(48,348)	(48,348)	(80,580)	(2,302)	(264,763)
Accounts Payable	285,144	26,848	23,692	15,381	(238)	350,827
Accrued Payroll	1,153	311	311	1,532	41	3,348
Unearned Revenue	17,546					17,546
Compensated Absences	2,927	3,483	3,483	7,380	142	17,415
Other Current Liabilities	1,300		(50)			1,250
Net Pension Liability	(48,554)	(27,558)	(27,558)	(45,929)	(1,312)	(150,911)
Deferred Inflows of Resources	116,806	66,296	66,296	110,493	3,157	363,048
Total Adjustments	<u>342,296</u>	<u>440,274</u>	<u>224,292</u>	<u>1,784</u>	<u>6,039</u>	<u>1,014,685</u>
Net Cash Provided by Operating Activities	<u>\$ 1,154,908</u>	<u>\$ 758,734</u>	<u>\$ 609,073</u>	<u>\$ 625,476</u>	<u>\$ 29,311</u>	<u>\$ 3,177,502</u>
Noncash Capital and Related Financing Capital Contributions	\$	\$ 181,650	\$ 207,600	\$	\$	\$ 389,250

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 financial statements include all funds, elected officials, departments, boards, commissions, and authorities that make up the City's legal entity. The criteria used to determine if the City is financially accountable for a component unit includes whether or not City appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally dependent upon by the potential component unit.

Based on these criteria, there is one organization considered to be a component unit of the City.

Blended Component Unit

Perham Economic Development Authority. The Authority's governing board is appointed by the government's governing body. The City is responsible for the Authority's debt.

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

Perham Economic Development Authority
P.O. Box 130
Perham, MN 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 City 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. All activities, both governmental and business-type activities, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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, 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

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

The *debt service fund* accounts for activities associated with debt service.

The *capital project fund* accounts for financial resources to be used for acquisition or construction of major capital facilities.

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,

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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.

A receivable is considered to be past due if any portion of the receivable balance is outstanding on the 22nd of the month. A penalty is charged on receivables that are outstanding on the 22nd 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

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 approximately \$4,300,000.

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 the 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 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 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, 2021, and is expected to be taken by December 31, 2021, is considered a current liability and is accrued in the December 31, 2021, financial statements. Unused vacation leave of 48 hours can be carried over to the succeeding year.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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.

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.

U. Unearned Revenue

The City reports a liability in connection with resources that have been received, but not yet earned.

NOTE 2. DEPOSITS AND INVESTMENTS

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

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.
- (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 of December 31, 2021, 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, 2021.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 531,274	\$ 88,620	\$	\$ 619,894
Construction In Process	3,290,006	14,467,839	3,290,006	14,467,839
Total Capital Assets, Not Being Depreciated	<u>3,821,280</u>	<u>14,556,459</u>	<u>3,290,006</u>	<u>15,087,733</u>
Capital Assets, Being Depreciated:				
Buildings	9,332,548	190,791		9,523,339
Improvements Other Than Buildings	26,866,353	3,181,057		30,047,410
Machinery and Equipment	5,138,086	300,644		5,438,730
Total Capital Assets, Being Depreciated	<u>41,336,987</u>	<u>3,672,492</u>		<u>45,009,479</u>
Less Accumulated Depreciation For:				
Buildings	3,186,552	268,254		3,454,806
Improvements Other Than Buildings	8,425,314	876,367		9,301,681
Machinery and Equipment	2,588,006	308,462		2,896,468
Total Accumulated Depreciation	<u>14,199,872</u>	<u>1,453,083</u>		<u>15,652,955</u>
Total Capital Assets, Being Depreciated, Net	<u>27,137,115</u>	<u>2,219,409</u>		<u>29,356,524</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,958,395</u>	<u>\$ 16,775,868</u>	<u>\$ 3,290,006</u>	<u>\$ 44,444,257</u>
<u>Business-type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,372,072	\$	\$	\$ 1,372,072
Total Capital Assets, Not Being Depreciated	<u>1,372,072</u>			<u>1,372,072</u>
Capital Assets, Being Depreciated:				
Buildings	1,002,684			1,002,684
Improvements Other Than Buildings	32,153,690	787,673		32,941,363
Machinery and Equipment	3,684,001	258,080	206,557	3,735,524
Total Capital Assets, Being Depreciated	<u>36,840,375</u>	<u>1,045,753</u>	<u>206,557</u>	<u>37,679,571</u>
Less Accumulated Depreciation For:				
Buildings	309,609	25,294		334,903
Improvements Other Than Buildings	12,050,885	846,729		12,897,614
Machinery and Equipment	1,356,050	118,113	206,557	1,267,606
Total Accumulated Depreciation	<u>13,716,544</u>	<u>990,136</u>	<u>206,557</u>	<u>14,500,123</u>
Total Capital Assets, Being Depreciated, Net	<u>23,123,831</u>	<u>55,617</u>		<u>23,179,448</u>
Business-type Activities Capital Assets, Net	<u>\$ 24,495,903</u>	<u>\$ 55,617</u>	<u>\$</u>	<u>\$ 24,551,520</u>

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

Governmental Activities:	
General Government	\$ 43,004
Public Safety	210,197
Public Works, including Depreciation of General Infrastructure Assets	888,458
Culture and Recreation	247,969
Economic Development	1,575
Airport	<u>61,880</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,453,083</u>
Business-type Activities:	
Gas	\$ 298,826
Sewer and Wastewater	447,021
Water	204,695
Municipal Liquor	33,497
Recycling	<u>6,097</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 990,136</u>

NOTE 4. NOTES RECEIVABLE

The City has various notes receivable from individuals and organizations at December 31, 2021, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Special Revenue Funds			
Economic Development Loans	2022 - 2033	0.0 – 6.0%	\$ 1,041,207
Debt Service Funds			
Economic Development Loans	2022 – 2041	0.0 - 6.0%	697,349
Proprietary Funds			
Economic Development Loans	2028	2.0%	<u>151,536</u>
Total			<u>\$ 1,890,092</u>

The provision for uncollectible was \$59,698.

NOTE 5. 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, 2021, 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 6. 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.

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

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

**CITY OF PERHAM, MINNESOTA
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General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$97,567. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$70,904. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2021, the City reported a liability of \$738,787 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,652.

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0173% at the end of the measurement period and 0.0167% for the beginning of the period.

City's proportionate share of the net pension liability	\$	738,787
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>22,652</u>
Total	\$	<u><u>761,439</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$4,762 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,828 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,382	\$ 22,518
Difference between projected and actual investment earnings		642,074
Changes in actuarial assumptions	451,091	15,774
Changes in proportion	27,369	3,112
Contributions paid to PERA subsequent to the measurement date	<u>48,784</u>	
Total	<u><u>\$ 531,626</u></u>	<u><u>\$ 683,478</u></u>

**CITY OF PERHAM, MINNESOTA
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\$48,784 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, 2022. 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>
2022	\$ (25,969)
2023	(2,655)
2024	2,499
2025	(174,511)

At December 31, 2021, the City reported a liability of \$244,690 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2021 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0317% at the end of the measurement period and 0.0339% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million in direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$5,084 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized pension expense of \$2,008 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,853 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, 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:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 47,386	\$
Difference between projected and actual investment earnings		463,552
Changes in actuarial assumptions	359,630	120,856
Changes in proportion	44,098	44,747
Contributions paid to PERA subsequent to the measurement date	35,453	
Total	<u>\$ 486,567</u>	<u>\$ 629,155</u>

\$35,453 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, 2022. 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>
2022	\$ (144,728)
2023	(18,780)
2024	(29,887)
2025	(56,283)
2026	71,637

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

Actuarial Methods and Assumptions – The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

Discount Rate – The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

**CITY OF PERHAM, MINNESOTA
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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 (5.5%)</u>	<u>Current (6.5%)</u>	<u>1% Increase (7.5%)</u>
General Employees Fund	\$ 1,506,749	\$ 738,787	\$ 108,628
Police and Fire Fund	\$ 776,851	\$ 244,690	\$ (191,549)

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.

NOTE 7. 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, 2021, the membership of the Association consisted of:

Retired and Terminated Members:	
Received Benefits	0
Deferred Benefits	3
Current Members:	
Fully Vested (20 years or more)	7
Partially Vested (10 years to 19 years)	9
Nonvested (less than 10 years)	<u>11</u>
Total	<u>30</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.

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 \$2,000 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:

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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.

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.

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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 \$47,350 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2021. These contributions were for \$47,350 of normal costs. The City's statutorily required contribution was \$0.

Pension Costs

At December 31, 2021, the City reported a net pension asset of \$483,682 for the plan. The net pension asset was measured as of December 31, 2020. 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, 2020. The following table presents the changes in net pension liability during the year.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at previous Measurement Date 12/31/2019	\$ 725,655	\$ 1,092,199	\$ (366,544)
Changes for the year:			
Service Cost	30,247		30,247
Interest	41,575		41,575
Difference between expected and actual experience	(30,887)		(30,887)
Changes of assumptions	10,209		10,209
Changes of benefit terms			
Contributions - State and local		47,350	(47,350)
Contributions - donations and other income			
Contributions - member			
Net investment income		127,177	(127,177)
Other additions (e.g. receivables)			
Benefit payments, including member contribution refunds			
Administrative expense		(6,245)	6,245
Other deductions (e.g. payables)			-
Net Changes	<u>51,144</u>	<u>168,282</u>	<u>(117,138)</u>
Balance at current Measurement Date 12/31/2020	<u>\$ 776,799</u>	<u>\$ 1,260,481</u>	<u>\$ (483,682)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of \$(25,895).

At December 31, 2021, the City reported deferred outflows and inflows of resources related to pension from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$	\$ 63,015
Changes in assumptions	17,234	4,567
Net difference between projected and actual investment earnings		99,375
Total	\$ 17,234	\$ 166,957

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

Year Ending December 31	Pension Expense Amount
2022	\$ (41,385)
2023	(23,986)
2024	(51,402)
2025	(22,596)
2026	(6,013)
Thereafter	(4,341)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2020, based on the measurement date of December 31, 2020, and using the following actuarial assumptions. The plan has not had a formal actuarial experience study performed.

- Investment rate of return is 5.00%;
- Inflation rate is 2.25%;
- 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 2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.
 - Post-retirement: RP 2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.
 - Post-disability: RP 2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

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, 2020.

<u>Asset Class</u>	<u>Assumed Target Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	43.00%	4.42%	6.67%
International Equity	21.00%	4.91%	7.16%
Fixed Income	26.00%	1.00%	3.25%
Real Estate and Alternatives	1.00%	3.98%	6.23%
Cash and Equivalents	9.00%	-0.33%	1.92%

**CITY OF PERHAM, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

Discount Rate

The discount rate used to measure the total pension liability was 5.0 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 5.0 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 (4.0 percent) or one-percentage-point higher (6.0 percent) than the current rate:

<u>1% Decrease (4.0%)</u>	<u>Current (5.0%)</u>	<u>1% Increase (6.0%)</u>
\$ (469,012) \$	(483,682) \$	(498,104)

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position as of December 31, 2021, 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 8. LONG-TERM DEBT

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 \$16,681,220. During the year, general obligation bonds totaling \$2,220,000 were issued to finance street improvements and refund existing bonds.

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%	\$ 7,594,000
Governmental Activities – Refunding	1.6 – 4.0%	2,305,000
Business-type Activities	2.25 – 3.1%	740,000
Business-type Activities – Refunding	1.6 – 2.45%	30,000

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

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 1,110,000	\$ 261,184	\$ 210,000	\$ 15,570
2023	1,065,000	228,980	185,000	10,804
2024	926,000	201,453	185,000	6,641
2025	936,000	176,138	190,000	2,280
2026	867,000	151,035		
2027-2031	3,245,000	447,373		
2032-2036	1,510,000	96,046		
2037-2041	200,000	13,920		
2042	40,000	400		
	<u>\$ 9,899,000</u>	<u>\$ 1,576,529</u>	<u>\$ 770,000</u>	<u>\$ 35,295</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 \$8,859,173. During the year, general obligation revenue bonds totaling \$8,666,758 were issued to finance street improvements and construction of the PACC and HUB projects.

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:

Purpose	Interest Rates	Amount
Governmental Activities	1.0 – 2.0%	\$10,870,603
Business-type Activities	1.0 – 2.8%	3,268,000
Business-type Activities - Refunding	3.0 – 4.0%	205,000

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
2022	\$ 490,000	\$ 131,495	\$ 302,000	\$ 57,451
2023	472,000	92,290	301,000	50,060
2024	4,564,000	84,321	311,000	42,578
2025	490,000	76,183	246,000	36,275
2026	498,000	67,884	251,000	31,254
2027-2031	2,610,000	211,455	830,000	90,179
2032-2036	1,746,603	39,476	544,000	50,840
2037-2041			570,000	23,100
2042			118,000	1,180
	<u>\$ 10,870,603</u>	<u>\$ 703,104</u>	<u>\$ 3,473,000</u>	<u>\$ 382,917</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 \$2,138,000. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Business-type Activities - Refunding	2.7 – 3.35%	\$1,714,000

CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2022	\$ 224,000	\$ 49,807
2023	231,000	43,322
2024	238,000	36,401
2025	245,000	29,033
2026	251,000	21,283
2027-2028	525,000	17,643
	<u>\$ 1,714,000</u>	<u>\$ 197,489</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 \$118,288 and \$214,382 at December 31, 2021.

The City has the following loans:

<u>Lender</u>	<u>Interest Rates</u>	<u>Amount</u>
U.S. Department of Agriculture	1.0%	\$ 332,670
<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.0%	\$ 332,670

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2022	\$ 69,636	\$ 3,366
2023	70,334	2,668
2024	68,376	2,040
2025	30,625	1,251
2026	30,933	944
2027-2028	62,766	746
	<u>\$ 332,670</u>	<u>\$ 11,015</u>

Current Refunding. During 2021, the City issued \$1,355,000 in revenue bonds with interest rates for 3.0%. The City issued the bonds to refund the following outstanding revenue obligations:

Revenue Bonds	Refunding Date	Interest Rate	Amount
G.O. Improvement Bonds of 2010A	1/28/2021	3	\$ 440,000
G.O. Improvement Bonds 2011	1/28/2021	3	365,000
G.O. Improvement Bonds 2013	1/28/2021	3	550,000
Total Refunding			<u>\$ 1,355,000</u>

The City will realize a savings of \$141,462 with a net present value of \$137,894.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Changes in Long-Term Liabilities. Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable					
General Obligation Bonds	\$ 10,288,000	\$ 2,220,000	\$ 2,609,000	\$ 9,899,000	\$ 1,110,000
General Obligation Revenue Bonds	2,357,845	8,666,758	154,000	10,870,603	490,000
Subtotal Bonds Payable	<u>12,645,845</u>	<u>10,886,758</u>	<u>2,763,000</u>	<u>20,769,603</u>	<u>1,600,000</u>
Unamortized Premium	384,779	313,485	32,140	666,124	32,140
Total Bonds Payable	<u>13,030,624</u>	<u>11,200,243</u>	<u>2,795,140</u>	<u>21,435,727</u>	<u>1,632,140</u>
Other Long-term Obligations					
Loans Payable	<u>401,656</u>		<u>68,986</u>	<u>332,670</u>	<u>69,636</u>
Total Other Long-term Obligations	<u>401,656</u>		<u>68,986</u>	<u>332,670</u>	<u>69,636</u>
Compensated Absences	<u>133,188</u>	<u>76,244</u>	<u>61,259</u>	<u>148,173</u>	<u>64,935</u>
Governmental Activity					
Long-term Liabilities	<u>\$ 13,565,468</u>	<u>\$ 11,276,487</u>	<u>\$ 2,925,385</u>	<u>\$ 21,916,570</u>	<u>\$ 1,766,711</u>
<u>Business-type Activities</u>					
Bonds Payable					
General Obligation Bonds	\$ 970,000	\$	\$ 200,000	\$ 770,000	\$ 210,000
General Obligation Revenue Bonds	3,765,000		292,000	3,473,000	302,000
Revenue Bonds	<u>1,930,000</u>		<u>216,000</u>	<u>1,714,000</u>	<u>224,000</u>
Subtotal Bonds Payable	<u>6,665,000</u>		<u>708,000</u>	<u>5,957,000</u>	<u>736,000</u>
Unamortized Premium	<u>30,808</u>		<u>8,760</u>	<u>22,048</u>	<u>8,760</u>
Total Bonds Payable	<u>6,695,808</u>		<u>716,760</u>	<u>5,979,048</u>	<u>744,760</u>
Compensated Absences	<u>85,203</u>	<u>38,297</u>	<u>20,882</u>	<u>102,618</u>	<u>47,295</u>
Business-type Activity					
Long-term Liabilities	<u>\$ 6,781,011</u>	<u>\$ 38,297</u>	<u>\$ 737,642</u>	<u>\$ 6,081,666</u>	<u>\$ 792,055</u>

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

NOTE 9. 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, 2021, the aggregate principal amount payable of the one series issued was \$233,302. The original issue amount totaled \$952,317.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2021, is as follows:

Due to / from other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Water	Nonmajor Governmental	\$ 195,983
Liquor	Nonmajor Governmental	238,601
		<u>\$ 434,584</u>

The amount payable is to finance the operation of the fund and to cover cash shortages. Approximately \$168,000 of the loan from the water fund to the permanent fund is expected to be collected after 2022. Approximately \$162,000 of the loan from the liquor fund to the nonmajor governmental fund is expected to be collected after 2022.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Water	\$ 15,500
General	Sewer and Wastewater	15,500
General	Gas	84,000
General	Liquor	121,250
General	Nonmajor Governmental Fund	42,069
Debt Service	Water	189,379
Debt Service	Sewer and Wastewater	149,427
Debt Service	Capital Project	194,283
Debt Service	TIF	175,000
Gas	General	1,683
Liquor	General	6,038
Nonmajor Governmental Fund	Liquor	80,500
Nonmajor Governmental Fund	Gas	118,639
Nonmajor Governmental Fund	Water	24,639
Nonmajor Governmental Fund	Sewer and Wastewater	22,639
Nonmajor Governmental Fund	General	2,181
Nonmajor Governmental Fund	Nonmajor Governmental Fund	21,000
		<u>\$ 1,263,727</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 11. CONSTRUCTION COMMITMENT

As of December 31, 2021, the City had construction commitments in the capital projects funds of approximately \$3,375,000 for the PACC project and Hub.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12. MAJOR CUSTOMERS

The City has four major customers, which represent about 49% of the gas, water, and sewer utility revenue.

<u>Name</u>	
Company 1	22%
Company 2	7%
Company 3	9%
Company 4	8%

NOTE 13. 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, 2021, there are no other claims liabilities reported in the financial statements based on the requirements of Governmental 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 14. NEW PRONOUNCEMENTS

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 June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

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**CITY OF PERHAM, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes	\$ 529,053	\$ 529,053	\$ 527,892	\$ (1,161)
Property Taxes			497	497
Licenses and Permits	99,650	99,650	173,693	74,043
Intergovernmental				
Federal	199,167	199,167	18,632	(180,535)
State				
Local Governmental Aid	611,811	611,811	611,811	
Police Aid	45,000	45,000	51,325	6,325
PERA	648	648		(648)
Aviation Maintenance Aid	24,900	24,900	11,810	(13,090)
Other	2,725	2,725	6,276	3,551
Other Local Government	7,300	7,300	8,268	968
	<u>891,551</u>	<u>891,551</u>	<u>708,122</u>	<u>(183,429)</u>
Charges for Services				
General Government	59,980	59,980	59,750	(230)
Police Department	250	250	50	(200)
Airport	36,700	36,700	52,127	15,427
	<u>96,930</u>	<u>96,930</u>	<u>111,927</u>	<u>14,997</u>
Fines and Forfeitures	15,400	15,400	13,520	(1,880)
Miscellaneous				
Interest on Investments	15,000	15,000		(15,000)
Contributions	1,000	1,000	3,777	2,777
Reimbursements	17,000	12,500	53,959	41,459
Other Receipts	72,100	72,100	64,173	(7,927)
	<u>105,100</u>	<u>100,600</u>	<u>121,909</u>	<u>21,309</u>
Total Revenues	<u>1,737,684</u>	<u>1,733,184</u>	<u>1,657,560</u>	<u>(75,624)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
General Government				
Mayor and Council	55,705	29,725	66,090	36,365
Finance / Administration	179,399	170,577	162,347	(8,230)
Legal Services		1,200	754	(446)
Planning and Zoning	1,300	1,300	466	(834)
Building Inspection Fees	76,600	76,600	102,032	25,432
Municipal Building	40,640	40,640	43,973	3,333
	<u>353,644</u>	<u>320,042</u>	<u>375,662</u>	<u>55,620</u>
Public Safety				
Police Protection	813,714	813,714	832,026	18,312
Police Station	10,200	10,200	9,979	(221)
	<u>823,914</u>	<u>823,914</u>	<u>842,005</u>	<u>18,091</u>
Public Works				
Streets and Alleys	137,657	137,657	151,830	14,173
Snow and Ice Removal	66,649	66,649	51,934	(14,715)
Street Lighting	60,000	60,000	68,820	8,820
	<u>264,306</u>	<u>264,306</u>	<u>272,584</u>	<u>8,278</u>
Culture and Recreation				
Senior Center	40,100	40,100	37,460	(2,640)
Municipal Parks	303,631	303,631	370,882	67,251
	<u>343,731</u>	<u>343,731</u>	<u>408,342</u>	<u>64,611</u>
Airport	51,775	51,775	58,820	7,045
Total Expenditures	<u>1,837,370</u>	<u>1,803,768</u>	<u>1,957,413</u>	<u>153,645</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(99,686)</u>	<u>(70,584)</u>	<u>(299,853)</u>	<u>(229,269)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	231,250	235,250	278,319	43,069
Transfers Out		(15,000)	(9,902)	5,098
Total Other Financing Sources (Uses)	<u>231,250</u>	<u>220,250</u>	<u>268,417</u>	<u>48,167</u>
NET CHANGE IN FUND BALANCES	131,564	149,666	(31,436)	(181,102)
FUND BALANCE, JANUARY 1	<u>1,032,486</u>	<u>1,032,486</u>	<u>1,032,486</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,164,050</u>	<u>\$ 1,182,152</u>	<u>\$ 1,001,050</u>	<u>\$ (181,102)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes	\$ 1,014,600	\$ 1,014,600	\$ 996,169	\$ (18,431)
Miscellaneous				
Interest on Investments	10,190	10,190	6,687	(3,503)
Total Revenues	<u>1,024,790</u>	<u>1,024,790</u>	<u>1,002,856</u>	<u>(21,934)</u>
EXPENDITURES				
Current				
Economic Development	493,638	493,638	474,668	(18,970)
Total Expenditures	<u>493,638</u>	<u>493,638</u>	<u>474,668</u>	<u>(18,970)</u>
REVENUES OVER EXPENDITURES	<u>531,152</u>	<u>531,152</u>	<u>528,188</u>	<u>(2,964)</u>
OTHER FINANCING USES				
Transfers Out	(170,000)	(170,000)	(175,000)	5,000
Total Other Financing Uses	<u>(170,000)</u>	<u>(170,000)</u>	<u>(175,000)</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	361,152	361,152	353,188	2,036
FUND BALANCE, JANUARY 1	<u>1,174,691</u>	<u>1,174,691</u>	<u>1,174,691</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,535,843</u>	<u>\$ 1,535,843</u>	<u>\$ 1,527,879</u>	<u>\$ 2,036</u>

See Notes to the Required Supplementary Information

**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
	2019	91,205	91,205		1,205,246	7.57
	2020	89,723	89,723		1,196,309	7.50
	2021	97,567	97,567		1,300,896	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
	2019	62,394	62,394		358,393	17.41
	2020	67,455	67,455		381,101	17.70
	2021	70,904	70,904		400,593	17.70

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
	2019	0.0167	923,306	28,665	951,971	1,174,574	81.05	80.23
	2020	0.0167	1,001,241	31,027	1,032,268	1,200,778	85.97	79.06
	2021	0.0173	738,787	22,652	761,439	1,235,103	61.65	87.00
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
	2019	0.0342	364,094	4,617	368,711	358,393	102.88	89.26
	2020	0.0339	446,838	10,527	457,365	369,747	123.70	87.19
	2021	0.0317	244,690	11,025	255,715	379,493	67.38	93.66

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	2021	2020	2019	2018	2017	2016
Total Pension Liability						
Service Cost	\$ 30,247	\$ 28,651	\$ 26,668	\$ 25,954	\$ 26,239	\$ 26,367
Interest Cost	41,575	41,036	45,413	43,110	37,991	31,200
Differences between expected and actual experience	(30,887)		(31,713)		(34,887)	
Changes of Assumptions	10,209	2,990	9,688		(3,561)	(9,948)
Changes of benefit terms					31,081	
Benefit Payments		(64,080)	(65,872)			(17,200)
Net Change in Total Pension Liability	51,144	8,597	(15,816)	69,064	56,863	30,419
Total Pension Liability - Beginning	725,655	717,058	732,874	663,810	606,947	576,528
Total Pension Liability - Ending	\$ 776,799	\$ 725,655	\$ 717,058	\$ 732,874	\$ 663,810	\$ 606,947
Plan Fiduciary Net Position						
Contributions - State and Local	\$ 47,350	\$ 46,774	\$ 45,157	\$ 42,535	\$ 41,878	\$ 44,344
Contributions - Donations and Other Income		63				
Net Investment Income	127,177	191,528	(76,854)	140,918	56,039	(24,949)
Benefit Payments		(64,080)	(65,872)			(17,200)
Pension Plan Administrative Expense	(6,245)	(7,291)				(4,407)
Other changes			(6,188)	(9,260)	(7,988)	
Net Change in Plan Fiduciary Net Position	168,282	166,994	(103,757)	174,193	89,929	(2,212)
Plan Fiduciary Net Position - Beginning	1,092,199	925,205	1,028,962	854,769	764,840	767,052
Plan Fiduciary Net Position - Ending	\$ 1,260,481	\$ 1,092,199	\$ 925,205	\$ 1,028,962	\$ 854,769	\$ 764,840
Net Pension Asset - Ending	\$ (483,682)	\$ (366,544)	\$ (208,147)	\$ (296,088)	\$ (190,959)	\$ (157,893)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	162.27%	150.51%	129.03%	140.40%	128.77%	126.01%
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.

See Notes to the Required Supplementary Information

**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*
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		
2018	45,157	45,157		
2019	46,774	46,774		
2020	47,350	47,350		

* 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	12/31/2020
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	5.75%
Projected salary increases	N/A
Inflation Rate	2.50%
Cost-of-living adjustments	N/A

**CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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, 2021, expenditures exceeded appropriations in the general by \$153,645.

NOTE 3. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2021 Changes

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes

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

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

**CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

2019 Changes

Changes in Plan Provisions: The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Plan Provisions: The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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 Plan Provisions: There have been no changes since the prior valuation.

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

2015 Changes

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate 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.

**CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

Police and Fire Fund

2021 Changes

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The morality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The morality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Plan Provisions: Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2017 Changes

Changes in Plan Provisions: There have been no changes since the prior valuation.

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 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 percent. Assumed age difference

**CITY OF PERHAM, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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 postretirement 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 Plan Provisions: There have been no changes since the prior valuation.

Changes in Actuarial Assumptions: The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year 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 postretirement benefit increases to be paid after the attainment of the 90.00 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 postretirement 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.

Perham Firefighters Relief Association

2021 Changes Since Prior Valuation

- The expected investment return and discount rate decreased from 5.50% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%

**CITY OF PERHAM, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

Exhibit B-1

	<u>Special Revenue Funds Exhibit C-1</u>	<u>Debt Service 1996 IRP Loan Program</u>	<u>Capital Project Permanent Improvement</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds Exhibit A-3</u>
ASSETS					
Cash and Investments	\$ 1,567,676	\$ 1,236,873	\$ 918,699	\$ 60,356	\$ 3,783,604
Accounts Receivable	20,773				20,773
Tax Receivable - Current	4,031		1,965		5,996
Tax Receivable - Delinquent	6,063		2,956		9,019
Special Assessments Receivable					
Delinquent			373		373
Noncurrent			365,271		365,271
Notes Receivable	<u>1,004,765</u>	<u>674,093</u>			<u>1,678,858</u>
TOTAL ASSETS	<u>\$ 2,603,308</u>	<u>\$ 1,910,966</u>	<u>\$ 1,289,264</u>	<u>\$ 60,356</u>	<u>\$ 5,863,894</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 15,690	\$ 1,264	\$ 7,693		\$ 24,647
Accrued Payroll	4,674				4,674
Due to Other Funds	238,601		195,983		434,584
Total Liabilities	<u>258,965</u>	<u>1,264</u>	<u>203,676</u>		<u>463,905</u>
Deferred Inflows of Resources					
Unavailable Revenue	6,063		368,600		374,663
Total Deferred Inflows of Resources	<u>6,063</u>		<u>368,600</u>		<u>374,663</u>
Fund Balance					
Nonspendable - Endowment				50,000	50,000
Restricted for:					
Marketing	86,359				86,359
Development	2,000				2,000
Debt Service		1,909,702			1,909,702
Committed for:					
Library	102,175				102,175
Fire and Rescue	127,527				127,527
Storm Sewer	201,419				201,419
Development	457,729				457,729
Revolving Loans	1,361,071				1,361,071
Assigned					
Fairgrounds			120,870		120,870
PACC			68,904		68,904
Capital Projects			527,214		527,214
Park				10,356	10,356
Total Fund Balance	<u>2,338,280</u>	<u>1,909,702</u>	<u>716,988</u>	<u>60,356</u>	<u>5,025,326</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,603,308</u>	<u>\$ 1,910,966</u>	<u>\$ 1,289,264</u>	<u>\$ 60,356</u>	<u>\$ 5,863,894</u>

**CITY OF PERHAM, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021**

Exhibit B-2

	<u>Special Revenue Funds Exhibit C-2</u>	<u>Debt Service 1996 IRP Loan Program</u>	<u>Capital Project Permanent Improvement</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds Exhibit A-5</u>
REVENUES					
Property Taxes	\$ 417,304	\$	\$ 212,201	\$	\$ 629,505
Hotel/Motel Tax	55,131				55,131
Local Sales Tax					
Special Assessments			28,255		28,255
Intergovernmental - Federal	186,476				186,476
Intergovernmental - State	52,082		87,482		139,564
Intergovernmental - Local	175,864				175,864
Charges for Services	117,749				117,749
Miscellaneous					
Interest on Loans Receivable	34,512	44,055			78,567
Interest on Investments	9,424	2,850	4,486	3,529	20,289
Rents	2,250		42,425		44,675
Contributions	34,832		97,175		132,007
Reimbursements	2,461		5,615		8,076
Other Receipts	22,363	13,494	2,000		37,857
Total Revenues	<u>1,110,448</u>	<u>60,399</u>	<u>479,639</u>	<u>3,529</u>	<u>1,654,015</u>
EXPENDITURES					
Current					
Public Safety	489,590				489,590
Public Works	15,647				15,647
Culture and Recreation	240,567		81,755	2,361	324,683
Economic Development	295,177	71			295,248
Debt					
Principal		68,987	50,000		118,987
Interest	10,949	4,014	21,822		36,785
Fees					
Capital Outlay					
General Government			239,187		239,187
Public Safety			9,034		9,034
Public Works	35,000		101,228		136,228
Culture and Recreation			112,001		112,001
Airport			2,100		2,100
Total Expenditures	<u>1,086,930</u>	<u>73,072</u>	<u>617,127</u>	<u>2,361</u>	<u>1,779,490</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>23,518</u>	<u>(12,673)</u>	<u>(137,488)</u>	<u>1,168</u>	<u>(125,475)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Asset	61,243				61,243
Transfers In	23,681		245,917		269,598
Transfers Out		(21,000)	(42,069)		(63,069)
Total Other Financing Sources (Uses)	<u>84,924</u>	<u>(21,000)</u>	<u>203,848</u>		<u>267,772</u>
NET CHANGE IN FUND BALANCES	<u>108,442</u>	<u>(33,673)</u>	<u>66,360</u>	<u>1,168</u>	<u>142,297</u>
FUND BALANCE, JANUARY 1	<u>2,229,838</u>	<u>1,943,375</u>	<u>650,628</u>	<u>59,188</u>	<u>4,883,029</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,338,280</u>	<u>\$ 1,909,702</u>	<u>\$ 716,988</u>	<u>\$ 60,356</u>	<u>\$ 5,025,326</u>

**CITY OF PERHAM, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2021**

Exhibit C-1

	<u>Library</u>	<u>Fire and Rescue</u>	<u>Storm Sewer</u>	<u>Lodging Tax</u>	<u>Economic Development Revolving Loan</u>	<u>CDBG</u>	<u>Total Nonmajor Special Revenue Funds Exhibit B-1</u>
ASSETS							
Cash and Investments	\$ 107,654	\$ 367,739	\$ 197,900	\$ 75,039	\$ 817,344	\$ 2,000	\$ 1,567,676
Accounts Receivable		4,626	4,077	11,320	750		20,773
Tax Receivable - Current	1,722	1,327			982		4,031
Tax Receivable - Delinquent	2,590	1,996			1,477		6,063
Notes Receivable					1,004,765		1,004,765
TOTAL ASSETS	\$ 111,966	\$ 375,688	\$ 201,977	\$ 86,359	\$ 1,825,318	\$ 2,000	\$ 2,603,308
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 4,792	\$ 7,306	\$ 510	\$	\$ 3,082	\$	\$ 15,690
Accrued Payroll	2,409	258	48		1,959		4,674
Due to Other Funds		238,601					238,601
Total Liabilities	7,201	246,165	558		5,041		258,965
Deferred Inflows of Resources							
Unavailable Revenue	2,590	1,996			1,477		6,063
Total Deferred Inflows of Resources	2,590	1,996			1,477		6,063
Fund Balance							
Restricted for:							
Marketing				86,359			86,359
Development						2,000	2,000
Committed for:							
Library	102,175						102,175
Fire and Rescue		127,527					127,527
Storm Sewer			201,419				201,419
Development					457,729		457,729
Revolving Loans					1,361,071		1,361,071
Total Fund Balance	102,175	127,527	201,419	86,359	1,818,800	2,000	2,338,280
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 111,966	\$ 375,688	\$ 201,977	\$ 86,359	\$ 1,825,318	\$ 2,000	\$ 2,603,308

**CITY OF PERHAM, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2021**

Exhibit C-2

	<u>Library</u>	<u>Fire and Rescue</u>	<u>Storm Sewer</u>	<u>Lodging Tax</u>	<u>Economic Development Revolving Loan</u>	<u>CDBG</u>	<u>Total Nonmajor Special Revenue Funds Exhibit B-2</u>
REVENUES							
Property Taxes	\$ 171,277	\$ 132,036	\$	\$	\$ 113,991	\$	\$ 417,304
Hotel/Motel Tax				55,131			55,131
Intergovernmental - Federal		186,476					186,476
Intergovernmental - State							
Fire Aid		50,052					50,052
Other State Aid		2,030					2,030
Intergovernmental - Local							
Other Local Government	43,639						43,639
Township		132,225					132,225
Charges for Services	2,033	50,785	46,531		18,400		117,749
Miscellaneous							
Interest on Loans Receivable					34,512		34,512
Interest on Investments	802	1,909	1,302	320	5,091		9,424
Rents					2,250		2,250
Contributions	9,734	98			25,000		34,832
Reimbursements	2,461						2,461
Other Receipts	1,198	4,986	112		16,067		22,363
Total Revenues	<u>231,144</u>	<u>560,597</u>	<u>47,945</u>	<u>55,451</u>	<u>215,311</u>		<u>1,110,448</u>
EXPENDITURES							
Current							
Public Safety		489,590					489,590
Public Works			15,647				15,647
Culture and Recreation	240,567						240,567
Economic Development				28,001	267,176		295,177
Capital Outlay							
Public Works			35,000				35,000
Debt Service							
Interest		10,949					10,949
Total Expenditures	<u>240,567</u>	<u>500,539</u>	<u>50,647</u>	<u>28,001</u>	<u>267,176</u>		<u>1,086,930</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(9,423)</u>	<u>60,058</u>	<u>(2,702)</u>	<u>27,450</u>	<u>(51,865)</u>		<u>23,518</u>
OTHER FINANCING SOURCES							
Sale of Capital Asset					61,243		61,243
Transfer In	2,681				21,000		23,681
Total Other Financing Sources	<u>2,681</u>				<u>82,243</u>		<u>84,924</u>
NET CHANGE IN FUND BALANCES	<u>(6,742)</u>	<u>60,058</u>	<u>(2,702)</u>	<u>27,450</u>	<u>30,378</u>		<u>108,442</u>
FUND BALANCE, JANUARY 1	<u>108,917</u>	<u>67,469</u>	<u>204,121</u>	<u>58,909</u>	<u>1,788,422</u>	<u>2,000</u>	<u>2,229,838</u>
FUND BALANCE, DECEMBER 31	<u>\$ 102,175</u>	<u>\$ 127,527</u>	<u>\$ 201,419</u>	<u>\$ 86,359</u>	<u>\$ 1,818,800</u>	<u>\$ 2,000</u>	<u>\$ 2,338,280</u>

**CITY OF PERHAM, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	Beginning Balance	Revenues	Expenditures	Transfer In	Transfer Out	Long Term Debt Issued	Capital Contributions	Sale of Capital Assets	Ending Balance
Primary Government Governmental Funds									
General	\$ 1,032,486	\$ 1,657,560	\$ 1,957,413	\$ 278,319	\$ 9,902	\$	\$	\$	\$ 1,001,050
Special Revenue									
Library	108,917	231,144	240,567	2,681					102,175
Fire and Rescue	67,469	560,597	500,539						127,527
Economic Development									
Revolving Loan	1,788,422	215,311	267,176	21,000				61,243	1,818,800
CDBG	2,000								2,000
Storm Sewer	204,121	47,945	50,647						201,419
Lodging Tax	58,909	55,451	28,001						86,359
TIF Districts	1,174,691	1,002,856	474,668		175,000				1,527,879
Debt Service									
1996 IRP Loan Program	1,943,375	60,399	73,072		21,000				1,909,702
2005 G.O. Improvement Bonds	37,199	29,150	132,794	85,000					18,555
2006 G.O. Bonds	42,449	13,477	81,209	80,000					54,717
2007 G.O. Improvement Bonds	290,420	37,163	104,675	15,000					237,908
2009 G.O. Improvement Bonds	148,858	82,664	95,163	10,000					146,359
2010A G.O. Improvement Bonds	195,032	76,987	593,265	17,400		476,824			172,978
2011A G.O. Improvement Bonds	149,381	108,158	570,985	24,663		399,229			110,446
2013 G.O. Improvement Bonds	166,554	75,556	753,950	20,504		612,868			121,532
2015 G.O. Improvement Bonds	730,532	197,637	242,215	99,467					785,421
Victory Estates G.O. Improvement Bonds	(114)	29,314	9,763						19,437
2017A Improvement Bonds	423,415	169,359	228,835	79,280					443,219
2019 Improvement Bonds	157,777	173,169	220,134	131,022					241,834
PACC Project	463,498	679,707	11,461						1,131,744
2020 Improvement Bonds	90,405	93,035	32,325	106,774					257,889
2021D WW4				7,842					7,842
PACC Tax Abatement		109		31,137					31,246
Total Debt Service	<u>2,895,406</u>	<u>1,765,485</u>	<u>3,076,774</u>	<u>708,089</u>		<u>1,488,921</u>			<u>3,781,127</u>
Capital Projects									
Permanent Improvement	650,628	479,639	617,127	245,917	42,069				716,988
2019 Improvement Project	48,368	18	258		79,887	31,759			
2020 Improvement Project	322,224	398,587	645,393		75,418				
Hub	1,463,050	5,838,700	7,056,192						245,558
2021 Improvement Project	(6,035)		9,329						(15,364)
PACC Project	(195,126)	1,500,430	6,053,071		31,136	8,813,895		710	4,035,702
Westwind 4th		12	843,575		7,842	865,670			14,265
Total Capital Project	<u>1,632,481</u>	<u>7,737,747</u>	<u>14,607,818</u>		<u>194,283</u>	<u>9,711,324</u>		<u>710</u>	<u>4,280,161</u>
Permanent Fund	<u>59,188</u>	<u>3,529</u>	<u>2,361</u>						<u>60,356</u>
Total Governmental Funds	<u>11,618,093</u>	<u>13,817,663</u>	<u>21,896,163</u>	<u>1,256,006</u>	<u>442,254</u>	<u>11,200,245</u>		<u>61,953</u>	<u>15,615,543</u>

cont.

**CITY OF PERHAM, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
YEAR ENDED DECEMBER 31, 2021**

	<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	3,122,174	4,420,850	3,774,498	6,038	201,750				3,572,814
Gas	5,457,070	7,145,480	6,336,819	1,683	202,639				6,064,775
Sewer and Wastewater	11,049,367	1,583,165	1,221,867		187,566		181,650		11,404,749
Water	7,141,751	1,065,587	620,715		229,518		207,600		7,564,705
Recycling	156,375	108,693	84,388						180,680
Total Proprietary Funds	<u>26,926,737</u>	<u>14,323,775</u>	<u>12,038,287</u>	<u>7,721</u>	<u>821,473</u>		<u>389,250</u>		<u>28,787,723</u>
Total Primary Government	<u>\$ 38,544,830</u>	<u>\$ 28,141,438</u>	<u>\$ 33,934,450</u>	<u>\$ 1,263,727</u>	<u>\$ 1,263,727</u>	<u>\$ 11,200,245</u>	<u>\$ 389,250</u>	<u>\$ 61,953</u>	<u>\$ 44,403,266</u>

**CITY OF PERHAM, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2021**

BOND INDEBTEDNESS	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2020	Issued 2021	Retired 2021	Balance 12/31/2021	Principal 2022	Interest 2022
General Obligation Bonds										
G.O. Improvement Bonds of 2010A	5.0 - 5.5	07/01/10	2-1-2022/26	\$ 1,030,000	\$ 555,000	\$	\$ 555,000	\$	\$	\$
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2022/26	337,745	148,000		24,000	124,000	24,000	1,736
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2022/26	148,475	65,000		10,000	55,000	11,000	765
G.O. Improvement Bonds 2011	2.6 - 3.4	09/01/11	2-1-2022/27	990,000	510,000		510,000			
G.O. Refunding & Crossover, 2012	1.6 - 2.45	03/14/12	2-1-2022/26	1,270,000	445,000		125,000	320,000	100,000	5,728
G.O. Refunding & Crossover, 2012	1.6 - 2.45	03/14/12	2-1-2022/26	660,000	165,000		80,000	85,000	85,000	375
G.O. Refunding & Crossover, 2012	1.6 - 2.45	03/14/12	2-1-2022/26	190,000	55,000		25,000	30,000	30,000	660
G.O. Improvement Bonds 2013	2.6 - 3.8	10/02/13	2-1-2022/29	1,115,000	710,000		710,000			
G.O. Bonds 2014 Cross Over Refunded 2007A	3.0 - 4.0	09/10/14	2-1-2022/23	760,000	295,000		95,000	200,000	95,000	6,100
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2022/31	820,000	630,000		50,000	580,000	50,000	14,793
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2022/31	1,535,000	1,150,000		100,000	1,050,000	100,000	26,550
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2022/25	1,580,000	915,000		175,000	740,000	180,000	14,910
G.O. Bonds Improvement Refunding, Series 2016A	2.5	01/07/16	2-1-2022/25	790,000	430,000		85,000	345,000	90,000	7,500
G.O. Bonds Improvement Refunding, Series 2017A	3.0 - 3.5	08/01/17	2-1-2022/33	2,570,000	2,300,000		160,000	2,140,000	160,000	63,560
G.O. Bonds Improvement Refunding, Series 2019B	3.0 - 4.0	06/05/19	2-1-2021-35	1,745,000	1,745,000		105,000	1,640,000	105,000	54,750
G.O. Bonds Improvement, Series 2020A	2.0 - 3.0	07/01/20	2-1-2022/36	1,140,000	1,140,000			1,140,000	70,000	28,350
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2022/26	440,000		440,000		440,000	85,000	11,925
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2022/27	365,000		365,000		365,000	65,000	9,975
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2022/29	550,000		550,000		550,000	70,000	15,450
GO Bonds Improvement, Series 2021D	.55 - 2.0	05/27/21	2-1-2022/42	865,000		865,000		865,000		13,627
Total					11,258,000	2,220,000	2,809,000	10,669,000	1,320,000	276,754
General Obligation Revenue Bonds										
G.O. Bonds 2014 Crossover Refunded 2008A	3.0-4.0	09/10/14	2-1-2022/24	510,000	270,000		65,000	205,000	70,000	6,800
G.O. Bonds (MPFA)	2.7	01/28/09	8-20-2022/28	2,422,209	1,163,000		132,000	1,031,000	136,000	28,280
G.O. Bonds (MPFA)	1.00	11/16/12	8-20-2022/42	3,014,667	2,332,000		95,000	2,237,000	96,000	22,370
G.O. Bonds (MPFA) Clean Water	1.045	07/09/15	8-20-2022/35	1,149,792	887,000		55,000	832,000	55,000	8,694
G.O. Bonds (MPFA) Drinking Water	1.045	07/09/15	8-20-2022/35	1,049,810	807,000		50,000	757,000	50,000	7,911
G.O. Bonds (MPFA) Clean Water	1	07/08/19	8-20-2022/34	712,695	663,845	31,758	49,000	646,603	50,000	6,871
GO Sales Tax Revenue Bond	1.4 - 2.0	05/27/21	2-1-2022/34	4,550,000		4,550,000		4,550,000	335,000	91,181
GO Tax Abatement	0.035	05/27/21	2/1/2024	4,085,000		4,085,000		4,085,000		16,839
Total					6,122,845	8,666,758	446,000	14,343,603	792,000	188,946
Revenue Bonds										
Gas Utility Refunding Bond 2019A	2.7 - 3.35	05/01/19	6-1-2022/28	2,138,000	1,930,000		216,000	1,714,000	224,000	49,807
Total					1,930,000		216,000	1,714,000	224,000	49,807
Total Bonds					19,310,845	10,886,758	3,471,000	26,726,603	2,336,000	515,507
Loans										
U.S. Department of Agriculture	1.0	11/28/94	11-28-2022/24	1,000,000	157,835		39,547	118,288	39,916	1,210
U.S. Department of Agriculture	1.0	04/24/98	4-24-2022/28	775,000	243,821		29,439	214,382	29,720	2,156
Total					401,656		68,986	332,670	69,636	3,366
Total Indebtedness					\$ 19,712,501	\$ 10,886,758	\$ 3,539,986	\$ 27,059,273	\$ 2,405,636	\$ 518,873

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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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2022.

Legal Compliance

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

Purpose of the Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

May 18, 2022

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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, 2021, 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 18, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 18, 2022