

**CITY OF PERHAM  
PERHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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CITY OF PERHAM, MINNESOTA  
CITY OFFICIALS  
YEAR ENDED DECEMBER 31, 2022

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

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Members of the City Council  
City of Perham  
Perham, Minnesota

### Report on the Audit of the Financial Statements

#### *Qualified and Unmodified 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Qualified
TIF Districts	Unmodified
Debt Service	Unmodified
Capital Project	Unmodified
Gas	Unmodified
Sewer and Wastewater	Unmodified
Water	Unmodified
Municipal Liquor	Unmodified
Aggregate Remaining Information	Qualified

#### *Qualified Opinion on Governmental Activities, General Fund, and Aggregate Remaining Information*

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund, and the aggregate remaining fund information of the City of Perham, Minnesota, as of December 31, 2022, 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.

*Unmodified Opinions on Business-Type Activities, TIF Districts Fund, Debt Service Fund, Capital Projects Fund, Gas Fund, Sewer and Wastewater Fund, Water Fund, and Municipal Liquor Fund*

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, TIF Districts Fund, Debt Service Fund, Capital Projects Fund, Gas Fund, Sewer and Wastewater Fund, Water Fund, and Municipal Liquor Fund of the City of Perham, Minnesota, as of December 31, 2022, 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 Qualified and Unmodified 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 qualified and unmodified audit opinions.

***Matter Giving Rise to Qualified Opinion on Governmental Activities, General Fund, and Aggregate Remaining Information***

Management has not adopted the provisions Governmental Accounting Standards Board Statement No. 87, *Leases* for the City. Accounting principles generally accepted in the United States of America require that GASB Statement No. 87 be adopted. The amounts by which these departures would affect the assets, liabilities, deferred outflow of resources, deferred inflows of resources, and net position, has not been determined.

***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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is 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, expect for the effects of the matter described in the “Basis for Qualified and Unmodified Opinions” section of our report, the combining nonmajor fund statements, schedule of changes in fund balances and net position, schedule of indebtedness, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, 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 22, 2023

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

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As management of the City of Perham, we offer readers of the City of Perham's financial statements this narrative overview and analysis of the financial activities of the City of Perham for the fiscal year ended December 31, 2022. 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 \$75,647,769 (net position). Of this amount, \$15,135,247 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 \$1,402,682, or 65% of the total general fund expenditures, an increase of \$401,632 over the year ended 2021.

**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.

The City maintains 14 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

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

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General, TIF Districts, Debt Service, and Capital Projects, all of which are considered major funds. Data from the other 10 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, 2022**

**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 \$75,647,769 at the close of the most recent fiscal year.

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 19,883,473	\$ 22,393,794	\$ 13,683,267	\$ 12,110,988	\$ 33,566,740	\$ 34,504,782
Capital Assets	49,303,429	44,444,257	24,352,725	24,551,520	73,656,154	68,995,777
Total Assets	<u>69,186,902</u>	<u>66,838,051</u>	<u>38,035,992</u>	<u>36,662,508</u>	<u>107,222,894</u>	<u>103,500,559</u>
Deferred Outflows of Resources	<u>1,317,067</u>	<u>729,743</u>	<u>251,526</u>	<u>305,684</u>	<u>1,568,593</u>	<u>1,035,427</u>
Long-term Liabilities	23,747,500	22,475,243	6,157,908	6,506,470	29,905,408	28,981,713
Other Liabilities	1,235,928	1,688,899	1,687,974	1,280,999	2,923,902	2,969,898
Total Liabilities	<u>24,983,428</u>	<u>24,164,142</u>	<u>7,845,882</u>	<u>7,787,469</u>	<u>32,829,310</u>	<u>31,951,611</u>
Deferred Inflows of Resources	<u>302,925</u>	<u>1,086,590</u>	<u>11,483</u>	<u>393,000</u>	<u>314,408</u>	<u>1,479,590</u>
Net Position						
Net Investment in Capital						
Assets	28,158,884	23,008,529	19,118,437	18,572,472	47,277,321	41,581,001
Restricted	12,023,803	15,548,940	1,211,398	1,079,502	13,235,201	16,628,442
Unrestricted	5,034,929	3,759,593	10,100,318	9,135,749	15,135,247	12,895,342
Total Net Position	<u>\$ 45,217,616</u>	<u>\$ 42,317,062</u>	<u>\$ 30,430,153</u>	<u>\$ 28,787,723</u>	<u>\$ 75,647,769</u>	<u>\$ 71,104,785</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, 2022**

**Change in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 542,666	\$ 493,716	\$ 17,861,700	\$ 14,165,788	\$ 18,404,366	\$ 14,659,504
Operating Grants and Contributions	1,639,673	1,197,272			1,639,673	1,197,272
Capital Grants and Contributions	2,091,338	8,617,903			2,091,338	8,617,903
General Revenues						
Taxes	2,835,318	2,728,531			2,835,318	2,728,531
Unrestricted State Aid	619,400	611,811		10,000	619,400	621,811
Unrestricted Investment Earnings	303,304	173,260	100,491	74,180	403,795	247,440
Gain on Sale of Capital Assets	2,556	61,953	190,076	73,807	192,632	135,760
Other General Revenue	71,332	89,384	194		71,526	89,384
Total Revenues	<u>8,105,587</u>	<u>13,973,830</u>	<u>18,152,461</u>	<u>14,323,775</u>	<u>26,258,048</u>	<u>28,297,605</u>
Expenses						
General Government	489,072	489,544			489,072	489,544
Public Safety	1,634,442	1,143,027			1,634,442	1,143,027
Public Works	1,414,724	1,226,855			1,414,724	1,226,855
Culture and Recreation	948,502	949,462			948,502	949,462
Economic Development	914,432	762,380			914,432	762,380
Airport	105,681	122,800			105,681	122,800
Interest on Long-term Debt	322,332	332,585			322,332	332,585
Municipal Liquor			3,833,944	3,774,498	3,833,944	3,774,498
Gas			10,029,863	6,336,819	10,029,863	6,336,819
Sewer and Wastewater			1,283,830	1,221,867	1,283,830	1,221,867
Water			646,838	620,715	646,838	620,715
Recycling			91,404	84,388	91,404	84,388
Total Expenses	<u>5,829,185</u>	<u>5,026,653</u>	<u>15,885,879</u>	<u>12,038,287</u>	<u>21,715,064</u>	<u>17,064,940</u>
Change in Net Position Before Transfers	2,276,402	8,947,177	2,266,582	2,285,488	4,542,984	11,232,665
Transfers	<u>624,152</u>	<u>424,502</u>	<u>(624,152)</u>	<u>(424,502)</u>		
Change in Net Position	<u>2,900,554</u>	<u>9,371,679</u>	<u>1,642,430</u>	<u>1,860,986</u>	<u>4,542,984</u>	<u>11,232,665</u>
Net Position - January 1	<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>
Net Position - December 31	<u>\$ 45,217,616</u>	<u>\$ 42,317,062</u>	<u>\$ 30,430,153</u>	<u>\$ 28,787,723</u>	<u>\$ 75,647,769</u>	<u>\$ 71,104,785</u>

**CITY OF PERHAM, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

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**Governmental activities.** Governmental activities increased the City's net position by \$2,900,554. 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 \$1,642,430. A key element of the increase is 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)
	12/31/2022	12/31/2021		
Governmental Funds				
General Fund	\$ 1,402,682	\$ 1,001,050	\$ 401,632	40%
TIF Districts	1,829,662	1,527,879	301,783	20%
Debt Service	4,273,486	3,781,127	492,359	13%
Capital Project	1,100,479	4,280,161	(3,179,682)	-74%
Proprietary Funds				
Gas	6,642,193	6,064,775	577,418	10%
Sewer and Wastewater	11,716,399	11,404,749	311,650	3%
Water	8,006,421	7,564,705	441,716	6%
Municipal Liquor	3,865,906	3,572,814	293,092	8%

**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, 2022, amounts to \$73,656,154 (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, 2022**

**Capital Assets**  
(Net of Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 619,894	\$ 619,894	\$ 1,372,072	\$ 1,372,072	\$ 1,991,966	\$ 1,991,966
Construction In Process	19,763,840	14,467,839			19,763,840	14,467,839
Buildings	5,797,980	6,068,533	643,994	667,781	6,441,974	6,736,314
Improvements Other Than Buildings	20,574,181	20,745,729	19,968,953	20,043,749	40,543,134	40,789,478
Machinery and Equipment	2,547,534	2,542,262	2,367,706	2,467,918	4,915,240	5,010,180
Total	\$ 49,303,429	\$ 44,444,257	\$ 24,352,725	\$ 24,551,520	\$ 73,656,154	\$ 68,995,777

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 \$26,025,087 in bonds and other long-term obligations.

**Outstanding Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 8,789,000	\$ 9,899,000	\$ 560,000	\$ 770,000	\$ 9,349,000	\$ 10,669,000
General Obligation Revenue Bonds	11,752,094	10,870,603	3,171,000	3,473,000	14,923,094	14,343,603
Revenue Bonds			1,490,000	1,714,000	1,490,000	1,714,000
Loans Payable	262,993	332,670			262,993	332,670
Total	\$ 20,804,087	\$ 21,102,273	\$ 5,221,000	\$ 5,957,000	\$ 26,025,087	\$ 27,059,273

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

**Economic Factors**

The economic conditions of the community continue to remain stable. The City continues to see great growth in housing and industrial expansion. The 2022 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 record years. The gas fund continues to grow and expand while keeping up with replacements and maintenance.

**Requests for Information**

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

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**Exhibit A-1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 13,413,252	\$ 9,873,671	\$ 23,286,923
Receivables			
Accounts (Net of Allowance)	223,565	1,660,349	1,883,914
Interest Receivable	73,175		73,175
Current Taxes	5,739		5,739
Delinquent Taxes	58,152		58,152
Special Assessments	4,633,029	194	4,633,223
Notes Receivable (Net of Allowance)	1,354,737	129,220	1,483,957
Internal Balances	(329,865)	329,865	
Inventory		478,570	478,570
Restricted Cash:			
Bond Covenants		1,211,398	1,211,398
Net Pension Asset - VFD	451,689		451,689
Capital Assets			
Land	619,894	1,372,072	1,991,966
Construction In Process	19,763,840		19,763,840
Buildings	9,523,339	1,002,684	10,526,023
Improvements Other than Buildings	30,779,676	33,740,740	64,520,416
Machinery and Equipment	5,734,006	3,759,619	9,493,625
Less: Accumulated Depreciation	(17,117,326)	(15,522,390)	(32,639,716)
Total Capital Assets, Net of Depreciation	49,303,429	24,352,725	73,656,154
<b>TOTAL ASSETS</b>	<b>69,186,902</b>	<b>38,035,992</b>	<b>107,222,894</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	1,317,067	251,526	1,568,593
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,317,067</b>	<b>251,526</b>	<b>1,568,593</b>
<b>LIABILITIES</b>			
Accounts Payable	1,075,082	1,558,845	2,633,927
Accrued Payroll	24,505	19,045	43,550
Consumer Deposits		67,675	67,675
Unearned Revenue		16,043	16,043
Accrued Interest Payable	136,341	26,366	162,707
Noncurrent Liabilities			
Net Pension Liability	2,174,430	810,617	2,985,047
Due Within One Year	1,818,854	773,055	2,591,909
Due in More than One Year	19,754,216	4,574,236	24,328,452
<b>TOTAL LIABILITIES</b>	<b>24,983,428</b>	<b>7,845,882</b>	<b>32,829,310</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	302,925	11,483	314,408
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>302,925</b>	<b>11,483</b>	<b>314,408</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	28,158,884	19,118,437	47,277,321
Restricted for:			
Park - Nonexpendable	50,000		50,000
TIF Districts	1,862,341		1,862,341
Development	2,000		2,000
Marketing	88,151		88,151
Debt Service	10,021,311		10,021,311
Bond Covenants		1,211,398	1,211,398
Unrestricted	5,034,929	10,100,318	15,135,247
<b>TOTAL NET POSITION</b>	<b>\$ 45,217,616</b>	<b>\$ 30,430,153</b>	<b>\$ 75,647,769</b>

See Notes to the Financial Statements



**CITY OF PERHAM, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

**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	\$ 489,072	\$ 190,447	\$ 37,133	\$	\$ (261,492)	\$	\$ (261,492)
Public Safety	1,634,442	96,794	643,868		(893,780)		(893,780)
Public Works	1,414,724	46,999	6,257	1,864,578	503,110		503,110
Culture and Recreation	948,502	90,511	831,330	226,760	200,099		200,099
Economic Development	914,432	42,992	100,297		(771,143)		(771,143)
Airport	105,681	74,923	20,788		(9,970)		(9,970)
Interest on Long-term Debt	322,332				(322,332)		(322,332)
Total Governmental Activities	<u>5,829,185</u>	<u>542,666</u>	<u>1,639,673</u>	<u>2,091,338</u>	<u>(1,555,508)</u>		<u>(1,555,508)</u>
Business-type Activities:							
Municipal Liquor	3,833,944	4,413,212				579,268	579,268
Gas	10,029,863	10,794,546				764,683	764,683
Sewer and Wastewater	1,283,830	1,616,586				332,756	332,756
Water	646,838	928,801				281,963	281,963
Recycling	91,404	108,555				17,151	17,151
Total Business-type Activities	<u>15,885,879</u>	<u>17,861,700</u>				<u>1,975,821</u>	<u>1,975,821</u>
Total Primary Government	<u>\$ 21,715,064</u>	<u>\$ 18,404,366</u>	<u>\$ 1,639,673</u>	<u>\$ 2,091,338</u>	<u>(1,555,508)</u>	<u>1,975,821</u>	<u>420,313</u>
General Revenues:							
Property Taxes					2,704,684		2,704,684
Hotel/Motel Taxes					60,981		60,981
Taxes Franchise Fees					69,653		69,653
Unrestricted State Aid					619,400		619,400
Unrestricted Investment Earnings					303,304	100,491	403,795
Gain on Sale of Capital Assets					2,556	190,076	192,632
Other General Revenue					71,332	194	71,526
Transfers					624,152	(624,152)	
Total General Revenues and Transfers					<u>4,456,062</u>	<u>(333,391)</u>	<u>4,122,671</u>
Change in Net Position					<u>2,900,554</u>	<u>1,642,430</u>	<u>4,542,984</u>
Net Position - January 1					<u>42,317,062</u>	<u>28,787,723</u>	<u>71,104,785</u>
Net Position - December 31					<u>\$ 45,217,616</u>	<u>\$ 30,430,153</u>	<u>\$ 75,647,769</u>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

**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>
<b>ASSETS</b>						
Cash and Investments	\$ 1,403,769	\$ 1,834,013	\$ 4,199,572	\$ 1,928,523	\$ 4,047,375	\$ 13,413,252
Receivables						
Accounts	14,497		72,461	111,447	25,160	223,565
Interest	73,175					73,175
Tax						
Current	2,177		1,453		2,109	5,739
Delinquent	9,382	32,682	6,341		9,747	58,152
Special Assessments						
Delinquent	43		5,414		1,575	7,032
Noncurrent			4,281,092		344,905	4,625,997
Notes Receivable					1,354,737	1,354,737
<b>TOTAL ASSETS</b>	<b>\$ 1,503,043</b>	<b>\$ 1,866,695</b>	<b>\$ 8,566,333</b>	<b>\$ 2,039,970</b>	<b>\$ 5,785,608</b>	<b>\$ 19,761,649</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 71,395	\$ 4,351		\$ 939,491	\$ 59,845	\$ 1,075,082
Accrued Payroll	19,541				4,964	24,505
Due to Other Funds					329,865	329,865
Total Liabilities	<u>90,936</u>	<u>4,351</u>		<u>939,491</u>	<u>394,674</u>	<u>1,429,452</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	9,425	32,682	4,292,847		356,227	4,691,181
Total Deferred Inflows of Resources	<u>9,425</u>	<u>32,682</u>	<u>4,292,847</u>		<u>356,227</u>	<u>4,691,181</u>
<b>FUND BALANCES</b>						
Nonspendable - Endowment					50,000	50,000
Restricted for:						
TIF District		1,829,662				1,829,662
Marketing					88,153	88,153
Development					2,000	2,000
Debt Service			4,273,486		1,854,338	6,127,824
Committed for:						
Development					457,729	457,729
Revolving Loans					1,384,538	1,384,538
Library					102,510	102,510
Fire and Rescue					244,085	244,085
Storm Sewer					229,220	229,220
Assigned for:						
Fairgrounds					120,870	120,870
PACC					88,904	88,904
Park					6,621	6,621
Capital Projects				1,100,479	405,739	1,506,218
Unassigned	1,402,682					1,402,682
Total Fund Balances	<u>1,402,682</u>	<u>1,829,662</u>	<u>4,273,486</u>	<u>1,100,479</u>	<u>5,034,707</u>	<u>13,641,016</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,503,043</b>	<b>\$ 1,866,695</b>	<b>\$ 8,566,333</b>	<b>\$ 2,039,970</b>	<b>\$ 5,785,608</b>	<b>\$ 19,761,649</b>

See Notes to the Financial Statements

**CITY OF PERHAM, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**Exhibit A-4**

Total fund balances - governmental funds	\$ 13,641,016
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	66,420,755
Less accumulated depreciation	(17,117,326)
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.	1,317,067
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	(20,541,094)
Net Pension Liability	(2,174,430)
Other Long-Term Obligations	(262,993)
Issuance Premiums and Discounts (to be amortized as interest expense)	(603,450)
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.	(302,925)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(136,341)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(165,533)
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	451,689
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	<u>4,691,181</u>
Net position - governmental activities	<u>\$ 45,217,616</u>

**CITY OF PERHAM, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

**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>
<b>REVENUES</b>						
Property Taxes	\$ 600,792	\$ 1,065,405	\$ 403,058	\$	\$ 623,648	\$ 2,692,903
Hotel/Motel Tax					60,981	60,981
Local Sales Tax			769,011			769,011
Special Assessments			719,735		30,864	750,599
Licenses and Permits	131,734					131,734
Intergovernmental						
Federal	379,701				44,722	424,423
State	707,765			178,375	63,815	949,955
Local	6,698				179,468	186,166
Charges for Services	128,208				125,064	253,272
Fines and Forfeitures	9,055					9,055
Miscellaneous						
Interest on Loans Receivable					55,073	55,073
Interest on Investments	77,446	10,938	29,975	36,660	35,129	190,148
Rents					136,540	136,540
Contributions	5,687			50,000	46,740	102,427
Reimbursements	34,943			1,241,936	122,065	1,398,944
Other Receipts	74,187				42,199	116,386
Total Revenues	<u>2,156,216</u>	<u>1,076,343</u>	<u>1,921,779</u>	<u>1,506,971</u>	<u>1,566,308</u>	<u>8,227,617</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	405,766					405,766
Public Safety	934,137				271,445	1,205,582
Public Works	367,274				21,552	388,826
Culture and Recreation	391,158				343,713	734,871
Economic Development		589,560			309,187	898,747
Airport	45,805					45,805
<b>Debt Service</b>						
Principal			1,550,000		119,677	1,669,677
Interest			377,425		31,336	408,761
Fees			19,038			19,038
<b>Capital Outlay</b>						
General Government					8,186	8,186
Public Safety					105,138	105,138
Public Works				2,643,372	271,647	2,915,019
Culture and Recreation				3,404,087	283,288	3,687,375
Total Expenditures	<u>2,144,140</u>	<u>589,560</u>	<u>1,946,463</u>	<u>6,047,459</u>	<u>1,765,169</u>	<u>12,492,791</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>12,076</u>	<u>486,783</u>	<u>(24,684)</u>	<u>(4,540,488)</u>	<u>(198,861)</u>	<u>(4,265,174)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Issued				1,371,491		1,371,491
Sale of Capital Asset	506				3,450	3,956
Transfers In	389,050		517,043		265,792	1,171,885
Transfers Out		(185,000)		(10,685)	(61,000)	(256,685)
Total Other Financing Sources (Uses)	<u>389,556</u>	<u>(185,000)</u>	<u>517,043</u>	<u>1,360,806</u>	<u>208,242</u>	<u>2,290,647</u>
NET CHANGE IN FUND BALANCES	<u>401,632</u>	<u>301,783</u>	<u>492,359</u>	<u>(3,179,682)</u>	<u>9,381</u>	<u>(1,974,527)</u>
FUND BALANCE, JANUARY 1	<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>
FUND BALANCE, DECEMBER 31	<u>\$ 1,402,682</u>	<u>\$ 1,829,662</u>	<u>\$ 4,273,486</u>	<u>\$ 1,100,479</u>	<u>\$ 5,034,707</u>	<u>\$ 13,641,016</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, 2022**

**Exhibit A-6**

Total net change in fund balances - governmental funds	\$ (1,974,527)
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	6,329,142
Depreciation expense	(1,469,970)
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.	
	(1,371,491)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	1,669,677
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.	
	86,429
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
	(74,585)
Change in deferred outflows and inflows of resources related to net pension liability	
	1,370,989
Change in net pension asset	
	(31,993)
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	(17,360)
Net Pension Liability	<u>(1,615,757)</u>
Change in net position - governmental activities	<u>\$ 2,900,554</u>

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

**Exhibit A-7**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Investments	\$ 1,525,806	\$ 2,523,673	\$ 2,880,516	\$ 2,751,563	\$ 192,113	\$ 9,873,671
Accounts Receivable (Net of Allowance)	1,403,264	184,090	63,179	1,090	8,726	1,660,349
Notes Receivable	129,220					129,220
Assessments Receivable		97	97			194
Due from Other Funds			168,078	161,787		329,865
Inventory				478,570		478,570
Total Current Assets	<u>3,058,290</u>	<u>2,707,860</u>	<u>3,111,870</u>	<u>3,393,010</u>	<u>200,839</u>	<u>12,471,869</u>
<b>NONCURRENT ASSETS</b>						
Restricted Cash:						
Bond Covenants		1,211,398				1,211,398
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	2,586,796	793,649	159,730	119,795	99,649	3,759,619
Improvements Other than Buildings	10,091,825	15,234,899	8,414,016			33,740,740
Less: Accumulated Depreciation	<u>(5,451,258)</u>	<u>(6,548,447)</u>	<u>(3,020,521)</u>	<u>(413,941)</u>	<u>(88,223)</u>	<u>(15,522,390)</u>
Total Capital Assets	<u>7,240,363</u>	<u>10,275,189</u>	<u>5,947,656</u>	<u>878,091</u>	<u>11,426</u>	<u>24,352,725</u>
Total Noncurrent Assets	<u>7,240,363</u>	<u>11,486,587</u>	<u>5,947,656</u>	<u>878,091</u>	<u>11,426</u>	<u>25,564,123</u>
Total Assets	<u>10,298,653</u>	<u>14,194,447</u>	<u>9,059,526</u>	<u>4,271,101</u>	<u>212,265</u>	<u>38,035,992</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Cost Sharing Defined Benefit Pension Plan	<u>80,927</u>	<u>45,931</u>	<u>45,931</u>	<u>76,550</u>	<u>2,187</u>	<u>251,526</u>
Total Deferred Outflows of Resources	<u>80,927</u>	<u>45,931</u>	<u>45,931</u>	<u>76,550</u>	<u>2,187</u>	<u>251,526</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	1,291,183	53,868	12,961	194,749	6,084	1,558,845
Accrued Payroll	5,204	2,931	2,931	7,524	455	19,045
Consumer Deposits	63,625		4,050			67,675
Accrued Interest Payable	8,112	9,416	8,838			26,366
Unearned Revenue	16,043					16,043
Current Portion - Long Term Liabilities	<u>432,003</u>	<u>178,931</u>	<u>149,421</u>	<u>12,217</u>	<u>483</u>	<u>773,055</u>
Total Current Liabilities	<u>1,816,170</u>	<u>245,146</u>	<u>178,201</u>	<u>214,490</u>	<u>7,022</u>	<u>2,461,029</u>
<b>NONCURRENT LIABILITIES</b>						
Bonds Payable, Net	2,056,780	2,282,508	895,000			5,234,288
Compensated Absences	31,941	25,133	25,133	29,268	1,528	113,003
Net Pension Liability	260,806	148,025	148,025	246,710	7,051	810,617
Less: Current Portion of						
Long Term Liabilities	<u>(432,003)</u>	<u>(178,931)</u>	<u>(149,421)</u>	<u>(12,217)</u>	<u>(483)</u>	<u>(773,055)</u>
Total Noncurrent Liabilities	<u>1,917,524</u>	<u>2,276,735</u>	<u>918,737</u>	<u>263,761</u>	<u>8,096</u>	<u>5,384,853</u>
Total Liabilities	<u>3,733,694</u>	<u>2,521,881</u>	<u>1,096,938</u>	<u>478,251</u>	<u>15,118</u>	<u>7,845,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Cost Sharing Defined Benefit Pension Plan	<u>3,693</u>	<u>2,098</u>	<u>2,098</u>	<u>3,494</u>	<u>100</u>	<u>11,483</u>
Total Deferred Inflows of Resources	<u>3,693</u>	<u>2,098</u>	<u>2,098</u>	<u>3,494</u>	<u>100</u>	<u>11,483</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	5,183,583	7,992,681	5,052,656	878,091	11,426	19,118,437
Restricted for Bond Covenants		1,211,398				1,211,398
Unrestricted	<u>1,458,610</u>	<u>2,512,320</u>	<u>2,953,765</u>	<u>2,987,815</u>	<u>187,808</u>	<u>10,100,318</u>
Total Net Position	<u>\$ 6,642,193</u>	<u>\$ 11,716,399</u>	<u>\$ 8,006,421</u>	<u>\$ 3,865,906</u>	<u>\$ 199,234</u>	<u>\$ 30,430,153</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, 2022**

**Exhibit A-8**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>						
Sales	\$ 10,641,718	\$	\$	\$ 4,410,038	\$	\$ 15,051,756
Cost of Sales	8,812,164			3,138,058		11,950,222
Gross Profit	1,829,554			1,271,980		3,101,534
Charges for Services	42,755	1,495,223	901,760		107,491	2,547,229
Other Services	84,641	117,034	25,647	422	910	228,654
Total Operating Revenues	<u>1,956,950</u>	<u>1,612,257</u>	<u>927,407</u>	<u>1,272,402</u>	<u>108,401</u>	<u>5,877,417</u>
<b>OPERATING EXPENSES</b>						
Purchased Services					60,130	60,130
Professional Fees	169,546	84,685	53,400	18,605	9	326,245
Salaries and Benefits	384,012	189,918	199,538	455,543	14,093	1,243,104
Utilities	19,233	316,339	43,171	20,551		399,294
Maintenance and Supplies	158,228	150,472	89,598	32,333	8,904	439,535
Insurance	15,501	22,735	8,371	9,050	927	56,584
Depreciation	312,195	462,391	209,626	33,497	4,558	1,022,267
Other Expenses	98,644	35,716	16,193	125,057	2,783	278,393
Total Operating Expenses	<u>1,157,359</u>	<u>1,262,256</u>	<u>619,897</u>	<u>694,636</u>	<u>91,404</u>	<u>3,825,552</u>
Income	<u>799,591</u>	<u>350,001</u>	<u>307,510</u>	<u>577,766</u>	<u>16,997</u>	<u>2,051,865</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>						
Interest on Investments	14,999	29,470	26,745	27,874	1,403	100,491
Refunds and Reimbursements	25,432	4,329	1,394	2,752	154	34,061
Gain on Sale of Capital Asset			190,076			190,076
Special Assessments		97	97			194
Contributions Made				(1,250)		(1,250)
Interest Expense	<u>(60,340)</u>	<u>(21,574)</u>	<u>(26,941)</u>			<u>(108,855)</u>
Total Nonoperating Revenue (Expense)	<u>(19,909)</u>	<u>12,322</u>	<u>191,371</u>	<u>29,376</u>	<u>1,557</u>	<u>214,717</u>
Income before Contributions and Transfers	779,682	362,323	498,881	607,142	18,554	2,266,582
Capital Contributions		135,768	155,280			291,048
Transfers Out	<u>(202,264)</u>	<u>(186,441)</u>	<u>(212,445)</u>	<u>(314,050)</u>		<u>(915,200)</u>
Change in Net Position	<u>577,418</u>	<u>311,650</u>	<u>441,716</u>	<u>293,092</u>	<u>18,554</u>	<u>1,642,430</u>
TOTAL NET POSITION, JANUARY 1	<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>
TOTAL NET POSITION, DECEMBER 31	<u>\$ 6,642,193</u>	<u>\$ 11,716,399</u>	<u>\$ 8,006,421</u>	<u>\$ 3,865,906</u>	<u>\$ 199,234</u>	<u>\$ 30,430,153</u>

**CITY OF PERHAM, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022**

**Exhibit A-9**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers and Users	\$ 10,291,113	\$ 1,625,276	\$ 922,003	\$ 4,409,570	\$ 108,013	\$ 17,355,975
Receipts from Interfund Services Provided	4,859					4,859
Payments to Suppliers	(8,848,631)	(603,098)	(244,231)	(3,388,257)	(71,236)	(13,155,453)
Payments for Interfund Services Used		(98)	(446)	(4,315)		(4,859)
Payments to Employees	(363,072)	(176,419)	(186,039)	(433,637)	(13,075)	(1,172,242)
Net Cash Provided by Operating Activities	<u>1,084,269</u>	<u>845,661</u>	<u>491,287</u>	<u>583,361</u>	<u>23,702</u>	<u>3,028,280</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Change in Interfund Loans			27,906	76,814		104,720
Nonoperating Revenue	25,432	4,232	1,296	2,753	155	33,868
Changes in Note Receivable	22,316					22,316
Nonoperating Expense				(1,250)		(1,250)
Transfers to Other Funds	(202,264)	(186,441)	(212,445)	(314,050)		(915,200)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(154,516)</u>	<u>(182,209)</u>	<u>(183,243)</u>	<u>(235,733)</u>	<u>155</u>	<u>(755,546)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Capital Assets	(520,059)		(12,365)			(532,424)
Proceeds from Sale of Capital Asset			190,076			190,076
Special Assessment Receipts		97	97			194
Payment of Long-Term Debt	(404,000)	(202,510)	(136,000)			(742,510)
Interest on Long-Term Debt	(64,841)	(23,320)	(28,284)			(116,445)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(988,900)</u>	<u>(225,733)</u>	<u>13,524</u>			<u>(1,201,109)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Earnings	14,999	29,470	26,745	27,874	1,403	100,491
Net Cash Provided by Investing Activities	<u>14,999</u>	<u>29,470</u>	<u>26,745</u>	<u>27,874</u>	<u>1,403</u>	<u>100,491</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(44,148)</b>	<b>467,189</b>	<b>348,313</b>	<b>375,502</b>	<b>25,260</b>	<b>1,172,116</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b><u>1,569,954</u></b>	<b><u>3,267,882</u></b>	<b><u>2,532,203</u></b>	<b><u>2,376,061</u></b>	<b><u>166,853</u></b>	<b><u>9,912,953</u></b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ <u>1,525,806</u></b>	<b>\$ <u>3,735,071</u></b>	<b>\$ <u>2,880,516</u></b>	<b>\$ <u>2,751,563</u></b>	<b>\$ <u>192,113</u></b>	<b>\$ <u>11,085,069</u></b>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash</b>						
Cash and Investments	\$ 1,525,806	\$ 2,523,673	\$ 2,880,516	\$ 2,751,563	\$ 192,113	\$ 9,873,671
Restricted Cash - Bond Covenants		1,211,398				1,211,398
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b>\$ <u>1,525,806</u></b>	<b>\$ <u>3,735,071</u></b>	<b>\$ <u>2,880,516</u></b>	<b>\$ <u>2,751,563</u></b>	<b>\$ <u>192,113</u></b>	<b>\$ <u>11,085,069</u></b>

cont.

See Notes to the Financial Statements



**CITY OF PERHAM, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022**

**Exhibit A-9**

	<u>Gas</u>	<u>Sewer and Wastewater</u>	<u>Water</u>	<u>Municipal Liquor</u>	<u>Nonmajor Recycling</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income	\$ 799,591	\$ 350,001	\$ 307,510	\$ 577,766	\$ 16,997	\$ 2,051,865
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation	312,195	462,391	209,626	33,497	4,558	1,022,267
Change in:						
Accounts Receivable	(469,017)	13,019	(5,804)	(890)	(388)	(463,080)
Inventory				(63,926)		(63,926)
Deferred Outflows of Resources	17,425	9,889	9,889	16,484	471	54,158
Accounts Payable	424,685	6,751	(33,944)	15,008	1,517	414,017
Accrued Payroll	33	303	303	1,355	29	2,023
Unearned Revenue	(5,025)					(5,025)
Compensated Absences	2,100	2,522	2,522	2,760	481	10,385
Other Current Liabilities	900		400			1,300
Net Pension Liability	124,131	70,453	70,453	117,421	3,355	385,813
Deferred Inflows of Resources	(122,749)	(69,668)	(69,668)	(116,114)	(3,318)	(381,517)
Total Adjustments	<u>284,678</u>	<u>495,660</u>	<u>183,777</u>	<u>5,595</u>	<u>6,705</u>	<u>976,415</u>
Net Cash Provided by Operating Activities	<u>\$ 1,084,269</u>	<u>\$ 845,661</u>	<u>\$ 491,287</u>	<u>\$ 583,361</u>	<u>\$ 23,702</u>	<u>\$ 3,028,280</u>
Noncash Capital and Related Financing						
Capital Contributions	\$	\$ 135,768	\$ 155,280	\$	\$	\$ 291,048

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  
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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  
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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 22<sup>nd</sup> of the month. A penalty is charged on receivables that are outstanding on the 22<sup>nd</sup> of the month.

**H. Property Taxes**

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

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

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

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

**I. Special Assessments Receivable**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the

**CITY OF PERHAM, MINNESOTA  
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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 \$3,800,000.

**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, 2022 is considered a current liability and is accrued in the financial statements. Unused vacation leave of 48 hours can be carried over to the succeeding year.

**CITY OF PERHAM, MINNESOTA  
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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



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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.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2022, 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, 2022.



**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3. CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 619,894	\$	\$	\$ 619,894
Construction In Process	14,467,839	5,759,361	463,360	19,763,840
Total Capital Assets, Not Being Depreciated	<u>15,087,733</u>	<u>5,759,361</u>	<u>463,360</u>	<u>20,383,734</u>
Capital Assets, Being Depreciated:				
Buildings	9,523,339			9,523,339
Improvements Other Than Buildings	30,047,410	732,266		30,779,676
Machinery and Equipment	5,438,730	302,275	6,999	5,734,006
Total Capital Assets, Being Depreciated	<u>45,009,479</u>	<u>1,034,541</u>	<u>6,999</u>	<u>46,037,021</u>
Less Accumulated Depreciation For:				
Buildings	3,454,806	270,553		3,725,359
Improvements Other Than Buildings	9,301,681	903,814		10,205,495
Machinery and Equipment	2,896,468	295,603	5,599	3,186,472
Total Accumulated Depreciation	<u>15,652,955</u>	<u>1,469,970</u>	<u>5,599</u>	<u>17,117,326</u>
Total Capital Assets, Being Depreciated, Net	<u>29,356,524</u>	<u>(435,429)</u>	<u>1,400</u>	<u>28,919,695</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,444,257</u>	<u>\$ 5,323,932</u>	<u>\$ 464,760</u>	<u>\$ 49,303,429</u>
<b><u>Business-type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,372,072	\$	\$	\$ 1,372,072
Construction In Process				
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	32,941,363	799,377		33,740,740
Machinery and Equipment	3,735,524	24,095		3,759,619
Total Capital Assets, Being Depreciated	<u>37,679,571</u>	<u>823,472</u>		<u>38,503,043</u>
Less Accumulated Depreciation For:				
Buildings	334,903	23,787		358,690
Improvements Other Than Buildings	12,897,614	874,173		13,771,787
Machinery and Equipment	1,267,606	124,307		1,391,913
Total Accumulated Depreciation	<u>14,500,123</u>	<u>1,022,267</u>		<u>15,522,390</u>
Total Capital Assets, Being Depreciated, Net	<u>23,179,448</u>	<u>(198,795)</u>		<u>22,980,653</u>
Business-type Activities Capital Assets, Net	<u>\$ 24,551,520</u>	<u>\$ (198,795)</u>	<u>\$</u>	<u>\$ 24,352,725</u>

**CITY OF PERHAM, MINNESOTA  
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Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 45,569
Public Safety	188,740
Public Works, including Depreciation of General Infrastructure Assets	917,542
Culture and Recreation	256,668
Economic Development	1,575
Airport	<u>59,876</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,469,970</u>
Business-type Activities:	
Gas	\$ 312,195
Sewer and Wastewater	462,391
Water	209,626
Municipal Liquor	33,497
Recycling	<u>4,558</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,022,267</u>

**NOTE 4. NOTES RECEIVABLE**

The City has various notes receivable from individuals and organizations at December 31, 2022, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Special Revenue Funds			
Economic Development Loans	2023 - 2033	0.0 – 6.0%	\$ 896,283
Debt Service Funds			
Economic Development Loans	2023 – 2041	0.0 - 6.0%	507,590
Proprietary Funds			
Economic Development Loans	2028	2.0%	<u>129,220</u>
Total			<u>\$ 1,533,093</u>

The provision for uncollectible was \$49,136.

**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, 2022, 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 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 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 2022 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, 2022, were \$103,567. 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 11.80% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$80,607. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs – At December 31, 2022, the City reported a liability of \$1,409,766 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 \$41,281.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0178% at the end of the measurement period and 0.0173% for the beginning of the period.

City's proportionate share of the net pension liability	\$	1,409,766
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>41,281</u>
Total	\$	<u><u>1,451,047</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$195,351 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$6,168 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, 2022, 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	\$ 11,775	\$ 14,591
Difference between projected and actual investment earnings	36,297	
Changes in actuarial assumptions	310,370	5,380
Changes in proportion	27,213	
Contributions paid to PERA subsequent to the measurement date	<u>51,782</u>	
Total	<u><u>\$ 437,437</u></u>	<u><u>\$ 19,971</u></u>

**CITY OF PERHAM, MINNESOTA**  
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The \$51,782 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, 2023. 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>
2023	\$ 134,964
2024	140,118
2025	(36,894)
2026	127,496

At December 31, 2022, the City reported a liability of \$1,575,281 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0362% at the end of the measurement period and 0.0317% 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, 2022. 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.

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, 2022, the City recognized pension expense of \$291,203 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized pension expense of \$13,355 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 \$3,258 for the year ended December 31, 2022 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, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 91,742	\$
Difference between projected and actual investment earnings	72,666	
Changes in actuarial assumptions	886,454	8,724
Changes in proportion	25,726	109,229
Contributions paid to PERA subsequent to the measurement date	40,303	
Total	<u>\$ 1,116,891</u>	<u>\$ 117,953</u>

**CITY OF PERHAM, MINNESOTA  
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The \$40,303 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, 2023. 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>
2023	\$ 200,355
2024	189,248
2025	162,852
2026	290,772
2027	115,408

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 Equity	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, 2022, 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 27 years of service. 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.

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.



**CITY OF PERHAM, MINNESOTA  
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The following changes in actuarial assumptions and plan provisions occurred in 2022:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from MP-2020 to MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

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

Discount Rate – The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

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	\$ 2,226,799	\$ 1,409,766	\$ 739,673
	<u>1% Decrease (4.4%)</u>	<u>Current (5.4%)</u>	<u>1% Increase (6.4%)</u>
Police and Fire Fund	\$ 2,383,986	\$ 1,575,281	\$ 921,492

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

**CITY OF PERHAM, MINNESOTA  
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**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, 2022, 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 \$2,500 for each completed full year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Ten Year Service, but Less than Twenty Year Service

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

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

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



**CITY OF PERHAM, MINNESOTA  
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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.

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 \$54,652 were made by the State of Minnesota in accordance with State Statute requirements for the year ended December 31, 2022. These contributions were for \$54,652 of normal costs. The City's statutorily required contribution was \$0.

**Pension Costs**

At December 31, 2022, the City reported a net pension asset of \$451,689 for the plan. The net pension asset was measured as of December 31, 2021. 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, 2021. The following table presents the changes in net pension liability during the year.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at previous Measurement Date 12/31/2020	\$ 776,799	\$ 1,260,481	\$ (483,682)
Changes for the year:			
Service Cost	28,940		28,940
Interest	36,687		36,687
Difference between expected and actual experience			
Changes of assumptions			
Changes of benefit terms	140,254		140,254
Contributions - State and local		54,652	(54,652)
Contributions - donations and other income			
Contributions - member			
Net investment income		126,448	(126,448)
Other additions (e.g. receivables)			
Benefit payments, including member contribution refunds	(144,000)	(144,000)	
Administrative expense		(7,212)	7,212
Other deductions (e.g. payables)			
Net Changes	<u>61,881</u>	<u>29,888</u>	<u>31,993</u>
Balance at current Measurement Date 12/31/2021	<u>\$ 838,680</u>	<u>\$ 1,290,369</u>	<u>\$ (451,689)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2022, the City recognized pension expense of \$99,141.

At December 31, 2022, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 14,265	\$ 51,167
Changes in assumptions	14,265	3,013
Net difference between projected and actual investment earnings		122,304
Total	<u>\$ 14,265</u>	<u>\$ 176,484</u>

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
2023	\$ (37,456)
2024	(64,872)
2025	(36,066)
2026	(19,483)
2027	(3,906)
Thereafter	(436)

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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**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, 2021, 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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.00%	5.10%
International Stocks	15.00%	5.30%
Bonds	45.00%	0.75%
Unallocated Cash	5.00%	0.00%

**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>
\$ (435,466) \$	(451,689) \$	(467,556)

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position as of December 31, 2022, 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 \$15,766,220.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0.55 – 4.0%	\$ 7,074,000
Governmental Activities – Refunding	1.8 – 4.0%	1,715,000
Business-type Activities	2.25 – 3.1%	560,000

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

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,065,000	\$ 228,982	\$ 185,000	\$ 10,804
2024	926,000	201,454	185,000	6,641
2025	936,000	176,138	190,000	2,280
2026	867,000	151,035		
2027	705,000	128,060		
2028-2032	2,980,000	357,579		
2033-2037	1,110,000	62,100		
2038-2042	200,000	10,000		
	<u>\$ 8,789,000</u>	<u>\$ 1,315,348</u>	<u>\$ 560,000</u>	<u>\$ 19,725</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 \$17,494,173. During the year, general obligation revenue bonds totaling \$1,371,491 were issued to finance street and utility improvements.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.0 – 2.2%	\$11,752,094
Business-type Activities	1.0 – 2.7%	3,036,000
Business-type Activities - Refunding	4.0%	135,000

**CITY OF PERHAM, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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
2023	\$ 555,911	\$ 148,894	\$ 301,000	\$ 50,060
2024	4,716,000	169,680	311,000	42,578
2025	645,000	151,033	246,000	36,275
2026	656,000	139,308	251,000	31,254
2027	665,000	127,388	256,000	26,111
2028-2032	3,315,578	406,598	680,000	76,388
2033-2037	1,198,605	19,927	550,000	45,400
2038-2042			576,000	17,400
	<u>\$ 11,752,094</u>	<u>\$ 1,162,828</u>	<u>\$ 3,171,000</u>	<u>\$ 325,466</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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities - Refunding	2.7 – 3.35%	\$1,490,000

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2023	\$ 231,000	\$ 43,322
2024	238,000	36,401
2025	245,000	29,033
2026	251,000	21,283
2027	257,000	13,154
2028	268,000	4,489
	<u>\$ 1,490,000</u>	<u>\$ 147,682</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 \$78,345 and \$184,648 at December 31, 2022.

The City has the following loans:

<u>Lender</u>	<u>Interest Rates</u>	<u>Amount</u>
U.S. Department of Agriculture	1.0%	\$ 262,993

  

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	1.0%	\$ 262,993

**CITY OF PERHAM, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2023	\$ 70,334	\$ 2,668
2024	68,376	2,040
2025	30,625	1,251
2026	30,933	944
2027	31,243	633
2028	31,482	113
	<u>\$ 262,993</u>	<u>\$ 7,649</u>

**Changes in Long-Term Liabilities.** Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities</u></b>					
Bonds Payable					
General Obligation Bonds	\$ 9,899,000	\$	\$ 1,110,000	\$ 8,789,000	\$ 1,065,000
General Obligation Revenue Bonds	10,870,603	1,371,491	490,000	11,752,094	555,911
Subtotal Bonds Payable	20,769,603	1,371,491	1,600,000	20,541,094	1,620,911
Unamortized Premium	666,124		62,674	603,450	62,674
Total Bonds Payable	21,435,727	1,371,491	1,662,674	21,144,544	1,683,585
Other Long-term Obligations					
Loans Payable	332,670		69,677	262,993	70,334
Total Other Long-term Obligations	332,670		69,677	262,993	70,334
Compensated Absences	148,173	89,795	72,435	165,533	64,935
Governmental Activity					
Long-term Liabilities	\$ 21,916,570	\$ 1,461,286	\$ 1,804,786	\$ 21,573,070	\$ 1,818,854
<b><u>Business-type Activities</u></b>					
Bonds Payable					
General Obligation Bonds	\$ 770,000	\$	\$ 210,000	\$ 560,000	\$ 185,000
General Obligation Revenue Bonds	3,473,000		302,000	3,171,000	301,000
Revenue Bonds	1,714,000		224,000	1,490,000	231,000
Subtotal Bonds Payable	5,957,000		736,000	5,221,000	717,000
Unamortized Premium	22,048		8,760	13,288	8,760
Total Bonds Payable	5,979,048		744,760	5,234,288	725,760
Compensated Absences	102,618	44,970	34,585	113,003	47,295
Business-type Activity					
Long-term Liabilities	\$ 6,081,666	\$ 44,970	\$ 779,345	\$ 5,347,291	\$ 773,055

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

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, the aggregate principal amount payable of the one series issued was \$158,732. The original issue amount totaled \$952,317.

**NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2022, is as follows:

Due to / from other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Water	Nonmajor Governmental	\$ 168,078
Liquor	Nonmajor Governmental	161,787
		<u>\$ 329,865</u>

The amount payable is to finance the operation of the fund and to cover cash shortages. Approximately \$140,000 of the loan from the water fund to the permanent fund is expected to be collected after 2023. Approximately \$82,000 of the loan from the liquor fund to the nonmajor governmental fund is expected to be collected after 2023.

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	234,050
General	Nonmajor Governmental Fund	40,000
Debt Service	Water	172,681
Debt Service	Sewer and Wastewater	148,677
Debt Service	Capital Project	10,685
Debt Service	TIF	185,000
Nonmajor Governmental Fund	Liquor	80,000
Nonmajor Governmental Fund	Gas	118,264
Nonmajor Governmental Fund	Water	24,264
Nonmajor Governmental Fund	Sewer and Wastewater	22,264
Nonmajor Governmental Fund	Nonmajor Governmental Fund	21,000
		<u>\$ 1,171,885</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, 2022, the City had construction commitments in the capital projects funds of approximately \$7,590,000 for the PACC project and 2022 Reconstruction Project.



**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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**NOTE 12. MAJOR CUSTOMERS**

The City has four major customers, which represent about 44% of the gas, water, and sewer utility revenue.

<u>Name</u>	
Company 1	21%
Company 2	6%
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, 2022, 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. 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.



**CITY OF PERHAM, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Property Taxes	\$ 604,234	\$ 604,234	\$ 600,792	\$ (3,442)
Licenses and Permits	99,300	99,300	131,734	32,434
Intergovernmental				
Federal	199,167	199,167	379,701	180,534
State				
Local Governmental Aid	619,400	619,400	619,400	
Police Aid	45,000	45,000	64,272	19,272
PERA				
Aviation Maintenance Aid	26,039	26,039	20,788	(5,251)
Other	2,725	2,725	3,305	580
Other Local Government	4,750	4,750	6,698	1,948
	<u>897,081</u>	<u>897,081</u>	<u>1,094,164</u>	<u>197,083</u>
Charges for Services				
General Government	58,330	58,330	58,713	383
Police Department	25,250	25,250	26,092	842
Airport	37,800	37,800	43,403	5,603
	<u>121,380</u>	<u>121,380</u>	<u>128,208</u>	<u>6,828</u>
Fines and Forfeitures	10,300	10,300	9,055	(1,245)
Miscellaneous				
Interest on Investments	11,350	11,350	77,446	66,096
Contributions	1,000	1,000	5,687	4,687
Reimbursements	11,000	11,000	34,943	23,943
Other Receipts	72,100	72,100	74,187	2,087
	<u>95,450</u>	<u>95,450</u>	<u>192,263</u>	<u>96,813</u>
Total Revenues	<u>1,827,745</u>	<u>1,827,745</u>	<u>2,156,216</u>	<u>328,471</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, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>EXPENDITURES</b>				
General Government				
Mayor and Council	70,457	70,457	71,234	777
Finance / Administration	176,537	176,537	180,395	3,858
Elections	3,400	3,400	2,802	(598)
Legal Services	1,500	1,500	870	(630)
Planning and Zoning	900	900	983	83
Building Inspection Fees	78,000	78,000	104,691	26,691
Municipal Building	55,520	55,520	44,791	(10,729)
	<u>386,314</u>	<u>386,314</u>	<u>405,766</u>	<u>19,452</u>
Public Safety				
Police Protection	955,296	955,296	923,137	(32,159)
Police Station	10,901	10,901	11,000	99
	<u>966,197</u>	<u>966,197</u>	<u>934,137</u>	<u>(32,060)</u>
Public Works				
Streets and Alleys	148,354	148,354	175,510	27,156
Snow and Ice Removal	68,613	68,613	127,892	59,279
Street Lighting	61,700	61,700	63,872	2,172
	<u>278,667</u>	<u>278,667</u>	<u>367,274</u>	<u>88,607</u>
Culture and Recreation				
Senior Center	39,775	39,775	40,219	444
Municipal Parks	285,375	285,375	350,939	65,564
	<u>325,150</u>	<u>325,150</u>	<u>391,158</u>	<u>66,008</u>
Airport	57,500	57,500	45,805	(11,695)
Total Expenditures	<u>2,013,828</u>	<u>2,013,828</u>	<u>2,144,140</u>	<u>130,312</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(186,083)</u>	<u>(186,083)</u>	<u>12,076</u>	<u>198,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Asset			506	506
Transfers In	389,050	389,050	389,050	
Transfers Out	(202,967)	(202,967)		202,967
Total Other Financing Sources (Uses)	<u>186,083</u>	<u>186,083</u>	<u>389,556</u>	<u>203,473</u>
NET CHANGE IN FUND BALANCES			401,632	401,632
FUND BALANCE, JANUARY 1	<u>1,001,050</u>	<u>1,001,050</u>	<u>1,001,050</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,001,050</u>	<u>\$ 1,001,050</u>	<u>\$ 1,402,682</u>	<u>\$ 401,632</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes	\$ 960,900	\$ 960,900	\$ 1,065,405	\$ 104,505
Miscellaneous				
Interest on Investments	7,590	7,590	10,938	3,348
Total Revenues	<u>968,490</u>	<u>968,490</u>	<u>1,076,343</u>	<u>107,853</u>
EXPENDITURES				
Current				
Economic Development	468,450	468,450	589,560	121,110
Total Expenditures	<u>468,450</u>	<u>468,450</u>	<u>589,560</u>	<u>121,110</u>
REVENUES OVER EXPENDITURES	<u>500,040</u>	<u>500,040</u>	<u>486,783</u>	<u>(13,257)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(185,000)	(185,000)	(185,000)	
Total Other Financing Sources (Uses)	<u>(185,000)</u>	<u>(185,000)</u>	<u>(185,000)</u>	
NET CHANGE IN FUND BALANCES	315,040	315,040	301,783	(13,257)
FUND BALANCE, JANUARY 1	<u>1,527,879</u>	<u>1,527,879</u>	<u>1,527,879</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 1,842,919</u>	<u>\$ 1,842,919</u>	<u>\$ 1,829,662</u>	<u>\$ (13,257)</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
	2022	103,567	103,567		1,380,859	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
	2022	80,607	80,607		455,406	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
	2022	0.0178	1,409,766	41,281	1,451,047	1,340,878	108.22	76.67
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
	2022	0.0362	1,575,281	68,851	1,644,132	428,000	384.14	70.53

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	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 28,940	\$ 30,247	\$ 28,651	\$ 26,668	\$ 25,954	\$ 26,239	\$ 26,367	\$ 25,661
Interest Cost	36,687	41,575	41,036	45,413	43,110	37,991	31,200	29,202
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	140,254					31,081		
Benefit Payments	(144,000)		(64,080)	(65,872)			(17,200)	(17,800)
Net Change in Total Pension Liability	61,881	51,144	8,597	(15,816)	69,064	56,863	30,419	37,063
Total Pension Liability - Beginning	776,799	725,655	717,058	732,874	663,810	606,947	576,528	539,465
Total Pension Liability - Ending	\$ <u>838,680</u>	\$ <u>776,799</u>	\$ <u>725,655</u>	\$ <u>717,058</u>	\$ <u>732,874</u>	\$ <u>663,810</u>	\$ <u>606,947</u>	\$ <u>576,528</u>
Plan Fiduciary Net Position								
Contributions - State and Local	\$ 54,652	\$ 47,350	\$ 46,774	\$ 45,157	\$ 42,535	\$ 41,878	\$ 44,344	\$ 54,330
Contributions - Donations and Other Income			63					
Net Investment Income	126,448	127,177	191,528	(76,854)	140,918	56,039	(24,949)	23,603
Benefit Payments	(144,000)		(64,080)	(65,872)			(17,200)	(17,800)
Pension Plan Administrative Expense	(7,212)	(6,245)	(7,291)				(4,407)	(4,187)
Other changes				(6,188)	(9,260)	(7,988)		
Net Change in Plan Fiduciary Net Position	29,888	168,282	166,994	(103,757)	174,193	89,929	(2,212)	55,946
Plan Fiduciary Net Position - Beginning	1,260,481	1,092,199	925,205	1,028,962	854,769	764,840	767,052	711,106
Plan Fiduciary Net Position - Ending	\$ <u>1,290,369</u>	\$ <u>1,260,481</u>	\$ <u>1,092,199</u>	\$ <u>925,205</u>	\$ <u>1,028,962</u>	\$ <u>854,769</u>	\$ <u>764,840</u>	\$ <u>767,052</u>
Net Pension Asset - Ending	\$ (451,689)	\$ (483,682)	\$ (366,544)	\$ (208,147)	\$ (296,088)	\$ (190,959)	\$ (157,893)	\$ (190,524)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	153.86%	162.27%	150.51%	129.03%	140.40%	128.77%	126.01%	133.05%
Covered Payroll *	\$	\$	\$	\$	\$	\$	\$	\$

Notes:

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

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

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		
2021	54,652	54,652		

\* 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	5.00%
Projected salary increases	N/A
Inflation Rate	2.25%
Cost-of-living adjustments	N/A

See Notes to the Required Supplementary Information

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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**NOTE 1. LEGAL COMPLIANCE-BUDGETS**

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

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

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

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

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

For the year ended December 31, 2022, expenditures exceeded appropriations in the general fund and TIF District fund by \$130,312 and \$121,110, respectively.

**NOTE 3. DEFINED BENEFIT PLANS**

**PERA**

**General Employees Fund**

*2022 Changes*

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

Changes in Actuarial Assumptions: The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

*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.

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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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.

*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, 2022**

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**Police and Fire Fund**

*2022 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-2020 to MP-2021. The single discount rate changed from 6.5% to 5.4%.

*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-

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

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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 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**

2022 Changes Since Prior Valuation

- The lump sum multiplier was changed from \$2,000 to \$2,300 for 2021, \$2,500 for 2022, \$2,600 for 2023, and \$2,700 for 2024, as approved by the City on June 14, 2021.

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, 2022**

**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>
<b>ASSETS</b>					
Cash and Investments	\$ 1,806,527	\$ 1,365,778	\$ 818,449	\$ 56,621	\$ 4,047,375
Accounts Receivable	25,160				25,160
Tax Receivable - Current	1,479		630		2,109
Tax Receivable - Delinquent	6,784		2,963		9,747
Special Assessments Receivable					
Delinquent			1,575		1,575
Noncurrent			344,905		344,905
Notes Receivable	864,913	489,824			1,354,737
<b>TOTAL ASSETS</b>	<b>\$ 2,704,863</b>	<b>\$ 1,855,602</b>	<b>\$ 1,168,522</b>	<b>\$ 56,621</b>	<b>\$ 5,785,608</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 23,093	\$ 1,264	\$ 35,488		\$ 59,845
Accrued Payroll	4,964				4,964
Due to Other Funds	161,787		168,078		329,865
<b>Total Liabilities</b>	<b>189,844</b>	<b>1,264</b>	<b>203,566</b>		<b>394,674</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue	6,784		349,443		356,227
<b>Total Deferred Inflows of Resources</b>	<b>6,784</b>		<b>349,443</b>		<b>356,227</b>
<b>Fund Balance</b>					
Nonspendable - Endowment				50,000	50,000
Restricted for:					
Marketing	88,153				88,153
Development	2,000				2,000
Debt Service		1,854,338			1,854,338
Committed for:					
Library	102,510				102,510
Fire and Rescue	244,085				244,085
Storm Sewer	229,220				229,220
Development	457,729				457,729
Revolving Loans	1,384,538				1,384,538
Assigned					
Fairgrounds			120,870		120,870
PACC			88,904		88,904
Capital Projects			405,739		405,739
Park				6,621	6,621
<b>Total Fund Balance</b>	<b>2,508,235</b>	<b>1,854,338</b>	<b>615,513</b>	<b>56,621</b>	<b>5,034,707</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,704,863</b>	<b>\$ 1,855,602</b>	<b>\$ 1,168,522</b>	<b>\$ 56,621</b>	<b>\$ 5,785,608</b>

**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2022**

**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>
<b>REVENUES</b>					
Property Taxes	\$ 430,188	\$	\$ 193,460	\$	\$ 623,648
Hotel/Motel Tax	60,981				60,981
Local Sales Tax					
Special Assessments			30,864		30,864
Intergovernmental - Federal	44,722				44,722
Intergovernmental - State	63,815				63,815
Intergovernmental - Local	179,468				179,468
Charges for Services	125,064				125,064
Miscellaneous					
Interest on Loans Receivable	29,021	26,052			55,073
Interest on Investments	15,225	6,593	9,787	3,524	35,129
Rents	94,500		42,040		136,540
Contributions	15,736		31,004		46,740
Reimbursements	2,117		119,948		122,065
Other Receipts	35,044	6,055	1,100		42,199
Total Revenues	<u>1,095,881</u>	<u>38,700</u>	<u>428,203</u>	<u>3,524</u>	<u>1,566,308</u>
<b>EXPENDITURES</b>					
Current					
Public Safety	271,445				271,445
Public Works	21,552				21,552
Culture and Recreation	336,454			7,259	343,713
Economic Development	309,124	63			309,187
Debt					
Principal		69,677	50,000		119,677
Interest	8,351	3,324	19,661		31,336
Fees					
Capital Outlay					
General Government			8,186		8,186
Public Safety			105,138		105,138
Public Works			271,647		271,647
Culture and Recreation			283,288		283,288
Total Expenditures	<u>946,926</u>	<u>73,064</u>	<u>737,920</u>	<u>7,259</u>	<u>1,765,169</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>148,955</u>	<u>(34,364)</u>	<u>(309,717)</u>	<u>(3,735)</u>	<u>(198,861)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Asset			3,450		3,450
Transfers In	21,000		244,792		265,792
Transfers Out		(21,000)	(40,000)		(61,000)
Total Other Financing Sources (Uses)	<u>21,000</u>	<u>(21,000)</u>	<u>208,242</u>		<u>208,242</u>
NET CHANGE IN FUND BALANCES	<u>169,955</u>	<u>(55,364)</u>	<u>(101,475)</u>	<u>(3,735)</u>	<u>9,381</u>
FUND BALANCE, JANUARY 1	<u>2,338,280</u>	<u>1,909,702</u>	<u>716,988</u>	<u>60,356</u>	<u>5,025,326</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,508,235</u>	<u>\$ 1,854,338</u>	<u>\$ 615,513</u>	<u>\$ 56,621</u>	<u>\$ 5,034,707</u>



**CITY OF PERHAM, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2022**

**Exhibit C-1**

	<u>Library</u>	<u>Fire and Rescue</u>	<u>HUB</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>
<b>ASSETS</b>								
Cash and Investments	\$ 107,617	\$ 399,440	\$ 10,623	\$ 225,475	\$ 79,145	\$ 982,227	\$ 2,000	\$ 1,806,527
Accounts Receivable		9,432		4,249	11,452	27		25,160
Tax Receivable - Current	669	480				330		1,479
Tax Receivable - Delinquent	2,908	2,109				1,767		6,784
Notes Receivable						864,913		864,913
<b>TOTAL ASSETS</b>	<b>\$ 111,194</b>	<b>\$ 411,461</b>	<b>\$ 10,623</b>	<b>\$ 229,724</b>	<b>\$ 90,597</b>	<b>\$ 1,849,264</b>	<b>\$ 2,000</b>	<b>\$ 2,704,863</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 3,291	\$ 5,060	\$ 8,770	\$ 453	\$ 2,444	\$ 3,075	\$	\$ 23,093
Accrued Payroll	2,485	273		51		2,155		4,964
Due to Other Funds		161,787						161,787
<b>Total Liabilities</b>	<b>5,776</b>	<b>167,120</b>	<b>8,770</b>	<b>504</b>	<b>2,444</b>	<b>5,230</b>		<b>189,844</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenue	2,908	2,109				1,767		6,784
<b>Total Deferred Inflows of Resources</b>	<b>2,908</b>	<b>2,109</b>				<b>1,767</b>		<b>6,784</b>
<b>Fund Balance</b>								
<b>Restricted for:</b>								
Marketing					88,153			88,153
Development							2,000	2,000
<b>Committed for:</b>								
Library	102,510							102,510
Fire and Rescue		242,232	1,853					244,085
Storm Sewer				229,220				229,220
Development						457,729		457,729
Revolving Loans						1,384,538		1,384,538
<b>Total Fund Balance</b>	<b>102,510</b>	<b>242,232</b>	<b>1,853</b>	<b>229,220</b>	<b>88,153</b>	<b>1,842,267</b>	<b>2,000</b>	<b>2,508,235</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 111,194</b>	<b>\$ 411,461</b>	<b>\$ 10,623</b>	<b>\$ 229,724</b>	<b>\$ 90,597</b>	<b>\$ 1,849,264</b>	<b>\$ 2,000</b>	<b>\$ 2,704,863</b>



**CITY OF PERHAM, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED DECEMBER 31, 2022**

**Exhibit C-2**

	<u>Library</u>	<u>Fire and Rescue</u>	<u>HUB</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>
<b>REVENUES</b>								
Property Taxes	\$ 184,682	\$ 132,726		\$	\$	\$ 112,780	\$	\$ 430,188
Hotel/Motel Tax					60,981			60,981
Intergovernmental - Federal							44,722	44,722
Intergovernmental - State								
Fire Aid		57,395						57,395
Other State Aid		6,420						6,420
Intergovernmental - Local								
Other Local Government	46,694							46,694
Township		132,774						132,774
Charges for Services	2,094	57,519		46,999		18,452		125,064
Miscellaneous								
Interest on Loans Receivable						29,021		29,021
Interest on Investments	1,129	3,539		1,850	588	8,119		15,225
Rents			85,500			9,000		94,500
Contributions	15,626				110			15,736
Reimbursements	1,734			383				2,117
Other Receipts	1,183	4,128		121		29,612		35,044
Total Revenues	<u>253,142</u>	<u>394,501</u>	<u>85,500</u>	<u>49,353</u>	<u>61,679</u>	<u>206,984</u>	<u>44,722</u>	<u>1,095,881</u>
<b>EXPENDITURES</b>								
Current								
Public Safety		271,445						271,445
Public Works				21,552				21,552
Culture and Recreation	252,807		83,647					336,454
Economic Development					59,885	204,517	44,722	309,124
Capital Outlay								
Public Works								
Debt Service								
Interest		8,351						8,351
Total Expenditures	<u>252,807</u>	<u>279,796</u>	<u>83,647</u>	<u>21,552</u>	<u>59,885</u>	<u>204,517</u>	<u>44,722</u>	<u>946,926</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>335</u>	<u>114,705</u>	<u>1,853</u>	<u>27,801</u>	<u>1,794</u>	<u>2,467</u>		<u>148,955</u>
<b>OTHER FINANCING SOURCES</b>								
Sale of Capital Asset								
Transfer In						21,000		21,000
Total Other Financing Sources						<u>21,000</u>		<u>21,000</u>
NET CHANGE IN FUND BALANCES	<u>335</u>	<u>114,705</u>	<u>1,853</u>	<u>27,801</u>	<u>1,794</u>	<u>23,467</u>		<u>169,955</u>
FUND BALANCE, JANUARY 1	<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>
FUND BALANCE, DECEMBER 31	\$ <u>102,510</u>	\$ <u>242,232</u>	\$ <u>1,853</u>	\$ <u>229,220</u>	\$ <u>88,153</u>	\$ <u>1,842,267</u>	\$ <u>2,000</u>	\$ <u>2,508,235</u>

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
YEAR ENDED DECEMBER 31, 2022**

	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	\$ 1,001,050	\$ 2,156,216	\$ 2,144,140	\$ 389,050	\$	\$	\$	\$ 506	\$ 1,402,682
Special Revenue									
Library	102,175	253,142	252,807						102,510
Fire and Rescue	127,527	394,501	279,796						242,232
HUB		85,500	83,647						1,853
Economic Development									
Revolving Loan	1,818,800	206,984	204,517	21,000					1,842,267
CDBG	2,000	44,722	44,722						2,000
Storm Sewer	201,419	49,353	21,552						229,220
Lodging Tax	86,359	61,679	59,885						88,153
TIF Districts	1,527,879	1,076,343	589,560		185,000				1,829,662
Debt Service									
1996 IRP Loan Program	1,909,702	38,700	73,064		21,000				1,854,338
2005 G.O. Improvement Bonds	18,555	7,926	105,894	95,000					15,587
2006 G.O. Bonds	54,717	10,113	85,541	60,000					39,289
2007 G.O. Improvement Bonds	237,908	39,252	101,375						175,785
2009 G.O. Improvement Bonds	146,359	127,652	97,975	10,000					186,036
2010A G.O. Improvement Bonds	172,978	70,781	97,084	17,400					164,075
2011A G.O. Improvement Bonds	110,446	80,813	112,634	24,662					103,287
2013 G.O. Improvement Bonds	121,532	57,039	85,608	20,505					113,468
2015 G.O. Improvement Bonds	785,421	176,322	239,038	99,467					822,172
Victory Estates G.O. Improvement Bonds	19,437	7,599	9,592						17,444
2017A Improvement Bonds	443,219	157,290	226,785	77,630					451,354
2019 Improvement Bonds	241,834	202,829	216,634	50,338					278,367
PACC Project	1,131,744	775,781	438,062						1,469,463
2020 Improvement Bonds	257,889	192,770	98,825	31,356					383,190
2021D WW4	7,842	12,018	14,102	30,685					36,443
PACC Tax Abatement	31,246	144	17,314						14,076
2022 PFA G.O. Improvement Bonds		3,450							3,450
Total Debt Service	<u>3,781,127</u>	<u>1,921,779</u>	<u>1,946,463</u>	<u>517,043</u>					<u>4,273,486</u>
Capital Projects									
Permanent Improvement	716,988	428,203	737,920	244,792	40,000			3,450	615,513
Hub	245,558	280,714	509,699						16,573
2022 Improvement Project	(15,364)	1,193,550	2,628,396			1,371,491			(78,719)
PACC Project	4,035,702	32,366	2,894,388						1,173,680
Westwind 4th	14,265	341	3,921		10,685				
2024 Street			11,055						(11,055)
Total Capital Project	<u>4,280,161</u>	<u>1,506,971</u>	<u>6,047,459</u>		<u>10,685</u>	<u>1,371,491</u>			<u>1,100,479</u>
Permanent Fund	<u>60,356</u>	<u>3,524</u>	<u>7,259</u>						<u>56,621</u>
Total Governmental Funds	<u>15,615,543</u>	<u>8,227,617</u>	<u>12,492,791</u>	<u>1,171,885</u>	<u>256,685</u>	<u>1,371,491</u>		<u>3,956</u>	<u>13,641,016</u>

cont.

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
YEAR ENDED DECEMBER 31, 2022**

	<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	3,572,814	4,441,086	3,833,944		314,050				3,865,906
Gas	6,064,775	10,809,545	10,029,863		202,264				6,642,193
Sewer and Wastewater	11,404,749	1,646,153	1,283,830		186,441		135,768		11,716,399
Water	7,564,705	1,145,719	646,838		212,445		155,280		8,006,421
Recycling	180,680	109,958	91,404						199,234
Total Proprietary Funds	<u>28,787,723</u>	<u>18,152,461</u>	<u>15,885,879</u>		<u>915,200</u>		<u>291,048</u>		<u>30,430,153</u>
Total Primary Government	<u>\$ 44,403,266</u>	<u>\$ 26,380,078</u>	<u>\$ 28,378,670</u>	<u>\$ 1,171,885</u>	<u>\$ 1,171,885</u>	<u>\$ 1,371,491</u>	<u>\$ 291,048</u>	<u>\$ 3,956</u>	<u>\$ 44,071,169</u>

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2022**

BOND INDEBTEDNESS	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12/31/2021	Issued 2022	Retired 2022	Balance 12/31/2022	Principal 2023	Interest 2023
<b>General Obligation Bonds</b>										
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2023/26	\$ 337,745	\$ 124,000	\$	\$ 24,000	\$ 100,000	\$ 24,000	\$ 1,400
G.O. Bonds (MPFA)	1.4	08/08/11	8-20-2023/26	148,475	55,000		11,000	44,000	11,000	613
G.O. Refunding & Crossover, 2012	1.8 - 2.45	03/14/12	2-1-2023/26	1,270,000	320,000		100,000	220,000	75,000	4,078
G.O. Refunding & Crossover, 2012	1.8	03/14/12	2-1-2023/26	660,000	85,000		85,000			
G.O. Refunding & Crossover, 2012	1.8	03/14/12	2-1-2023/26	190,000	30,000		30,000			
G.O. Bonds 2014 Cross Over Refunded 2007A	4.0	09/10/14	2/1/2023	760,000	200,000		95,000	105,000	105,000	2,100
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2023/31	820,000	580,000		50,000	530,000	55,000	13,611
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2023/31	1,535,000	1,050,000		100,000	950,000	100,000	24,300
G.O. Bonds Series 2015A	2.25 - 3.1	07/21/15	2-1-2023/25	1,580,000	740,000		180,000	560,000	185,000	10,804
G.O. Bonds Improvement Refunding, Series 2016A	2.5	01/07/16	2-1-2023/25	790,000	345,000		90,000	255,000	90,000	5,250
G.O. Bonds Improvement Refunding, Series 2017A	3.0 - 3.5	08/01/17	2-1-2023/33	2,570,000	2,140,000		160,000	1,980,000	165,000	58,685
G.O. Bonds Improvement Refunding, Series 2019B	3.0 - 4.0	06/05/19	2-1-2023/35	1,745,000	1,640,000		105,000	1,535,000	105,000	50,550
G.O. Bonds Improvement, Series 2020A	2.0 - 3.0	07/01/20	2-1-2023/36	1,140,000	1,140,000		70,000	1,070,000	70,000	26,250
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2023/26	440,000	440,000		85,000	355,000	85,000	9,375
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2023/27	365,000	365,000		65,000	300,000	60,000	8,100
GO Bonds Improvement Refunding, Series 2021A	3.0	01/28/21	2-1-2023/29	550,000	550,000		70,000	480,000	70,000	13,350
GO Bonds Improvement, Series 2021D	.55 - 2.0	05/27/21	2-1-2023/42	865,000	865,000			865,000	50,000	11,320
Total					10,669,000		1,320,000	9,349,000	1,250,000	239,786
<b>General Obligation Revenue Bonds</b>										
G.O. Bonds 2014 Crossover Refunded 2008A	4.0	09/10/14	2-1-2023/24	510,000	205,000		70,000	135,000	65,000	4,100
G.O. Bonds (MPFA)	2.7	01/28/09	8-20-2023/28	2,422,209	1,031,000		136,000	895,000	139,000	24,550
G.O. Bonds (MPFA)	1.00	11/16/12	8-20-2023/42	3,014,667	2,237,000		96,000	2,141,000	97,000	21,410
G.O. Bonds (MPFA) Clean Water	1.045	07/09/15	8-20-2023/35	1,149,792	832,000		55,000	777,000	56,000	8,120
G.O. Bonds (MPFA) Drinking Water	1.045	07/09/15	8-20-2023/35	1,049,810	757,000		50,000	707,000	51,000	7,388
G.O. Bonds (MPFA) Clean Water	1.0	07/08/19	8-20-2023/34	712,695	646,603		50,000	596,603	50,000	6,370
G.O. Bonds (MPFA)	2.21	09/18/22	8-20-2023/42	693,902		693,902		693,902	43,913	20,910
G.O. Bonds (MPFA)	2.21	09/18/22	8-20-2023/42	677,589		677,589		677,589	39,998	21,396
GO Sales Tax Revenue Bond	1.4 - 2.0	05/27/21	2-1-2023/34	4,550,000	4,550,000		335,000	4,215,000	315,000	70,412
GO Tax Abatement	0.35	05/27/21	2/1/2024	4,085,000	4,085,000			4,085,000		14,298
Total					14,343,603	1,371,491	792,000	14,923,094	856,911	198,954
<b>Revenue Bonds</b>										
Gas Utility Refunding Bond 2019A	2.7 - 3.35	05/01/19	6-1-2023/28	2,138,000	1,714,000		224,000	1,490,000	231,000	43,322
Total					1,714,000		224,000	1,490,000	231,000	43,322
Total Bonds					26,726,603	1,371,491	2,336,000	25,762,094	2,337,911	482,062
<b>Loans</b>										
U.S. Department of Agriculture	1.0	11/28/94	11-28-2023/24	1,000,000	118,288		39,943	78,345	40,315	811
U.S. Department of Agriculture	1.0	04/24/98	4-24-2023/28	775,000	214,382		29,734	184,648	30,019	1,857
Total					332,670		69,677	262,993	70,334	2,668
Total Indebtedness					\$ 27,059,273	\$ 1,371,491	\$ 2,405,677	\$ 26,025,087	\$ 2,408,245	\$ 484,730

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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, 2022, 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 22, 2023. See the Independent Auditor's Report for modifications on various opinion units.

### 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 22, 2023

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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, 2022, 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 22, 2023. See the Independent Auditor's Report for modifications on various opinion units.

### 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 22, 2023

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor  
and Members of the City Council  
City of Perham  
Perham, Minnesota

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited City of Perham's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Perham complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

#### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Perham's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as designed above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



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

May 22, 2023

**CITY OF PERHAM, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
<u>Environmental Protection Agency</u>				
Passed-Through Minnesota Public Facilities Authority:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-011-FY23	\$ 708,545	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L-012-FY23		<u>724,888</u>
Total Environmental Protection Agency				<u>1,433,433</u>
<u>U.S. Department of Treasury</u>				
COVID-19 State and Local Fiscal Recovery Funds	21.027			<u>379,701</u>
Total U.S. Department of Treasury				<u>379,701</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through Minnesota Department of Employment and Economic Development:				
Community Development Block Grant	14.228	CDAP-20-0035-O-FY21	<u>44,722</u>	<u>44,722</u>
Total U.S. Department of Housing and Urban Development			<u>44,722</u>	<u>44,722</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 44,722</u>	<u>\$ 1,857,856</u>
Reconciliation of the Schedule of Expenditures of Federal Awards:				
Schedule of Expenditures of Federal Awards - Total Federal Awards				\$ 1,857,856
Less: Loan Proceeds				<u>(1,433,433)</u>
Total Intergovernmental Federal Revenue				<u>\$ 424,423</u>

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF PERHAM, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2022**

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

Expenditures reported on the accompanying schedule of expenditures of federal awards (Schedule) are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2. INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3. BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of City of Perham under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of City of Perham, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Perham.

**NOTE 4. SUBRECIPIENTS**

During 2022, the City passed \$44,722 to subrecipients.

CITY OF PERHAM, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2022

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**Section I-Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Qualified and Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

66.458 Capitalization Grants for Clean Water State Revolving Loan  
66.468 Capitalization Grants for Drinking Water State Revolving Loan

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

There are no findings which are required to be reported under this section.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.