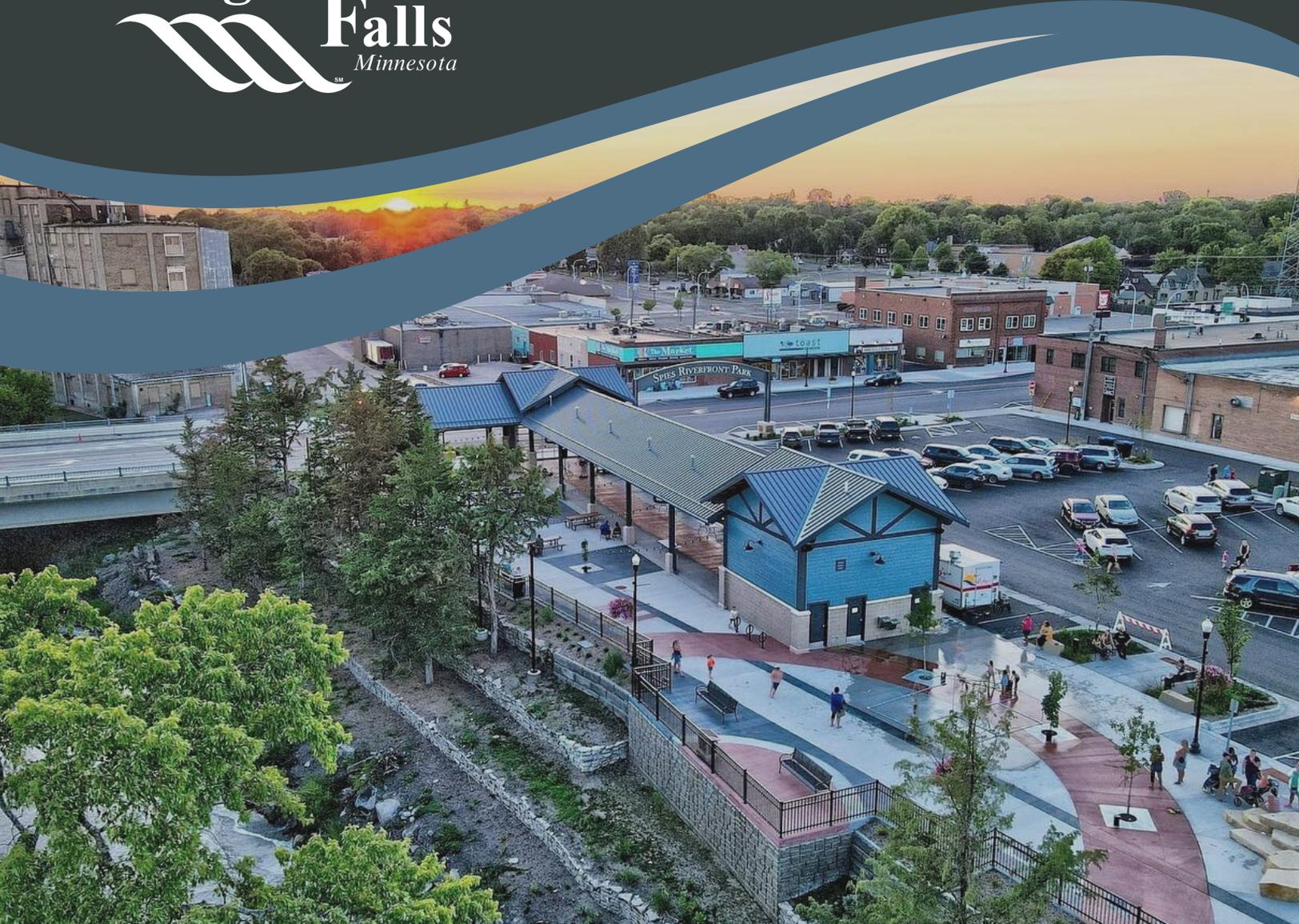


ANNUAL COMPREHENSIVE FINANCIAL REPORT

20
22

For Fiscal Year ended December 31, 2022





CITY OF FERGUS FALLS, MINNESOTA

Annual Comprehensive Financial Report For the Fiscal Year Ended December 31, 2022

Prepared by:

Department of Finance

Finance Director:

Bill Sonmor

Assistant Finance Director:

Sandy Cunningham

CITY OF FERGUS FALLS
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2022
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Introductory Section



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May 19, 2023

The Citizens of the City of Fergus Falls
Honorable Mayor and Members of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

The Annual Comprehensive Financial Report of the City of Fergus Falls for the fiscal year ended December 31, 2022, is hereby submitted as mandated by local ordinance and State statute. Such mandates require that the City of Fergus Falls issue, annually, a complete set of financial statements presented in conformity with United States Generally Accepted Accounting Principles (GAAP) and audited in accordance with United States Generally Accepted Auditing Standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Fergus Falls. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fergus Falls has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Fergus Falls' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Fergus Falls' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Fergus Falls' financial statements have been audited by BerganKDV, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fergus Falls for the fiscal year ended December 31, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Fergus Falls' financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (M D & A). This letter of transmittal is designed to complement M D & A and should be read in

conjunction with it. The City of Fergus Falls' M D & A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Fergus Falls was organized as a municipal corporation in 1872 and operates under a Home Rule Charter. The Charter prescribes a Mayor-Council form of government. The Council exercises the legislative powers of the City and determines all matters of policy. The City code mandates a four-year term for the Mayor and four-year terms for the eight Council Members. Two Council Members are elected from each of four wards and the Mayor is elected by the voters of the City at large.

The City Administrator is the chief administrative officer of the City and is responsible for performing all administrative functions of the City, for carrying out the policies and ordinances of the Council, and for overseeing the day-to-day operations of the City.

The City of Fergus Falls is the county seat of Otter Tail County and is located in West Central Minnesota on Interstate Highway 94. Noted for the natural beauty of its trees and parks, the City is situated on the Otter Tail River and has 6 lakes and 29 parks within its boundaries. The City is approximately 15.74 square miles and has a population of 14,042.

The City of Fergus Falls provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Certain sanitation services are provided through the City's Waste Management, Sewage Disposal, Water Department, and Storm Water operations. The City of Fergus Falls is also financially accountable for two legally separate non-profit organizations, which are reported separately with the City of Fergus Falls' financial statements. Additional information regarding the legally separate entities can be found in Note 1A, in the notes to the financial statements.

The City of Fergus Falls is a regional center for government, business and retail trade, medical care, education, culture, and recreation. It is the home of the Otter Tail Power Company, Lake Region Healthcare Corporation, Prairie Wetlands Learning Center, M-State, and A Center for the Arts.

The City established the Fergus Falls Port Authority in 1985 as the economic development arm of the City responsible for the monitoring of existing businesses and providing assistance for expansion, as well as development of new business and industry opportunities. The City contracts with the Greater Fergus Falls Corporation to promote the economic development of the City.

The annual budget serves as the foundation of the City of Fergus Falls' financial planning and control. All departments of the City of Fergus Falls are required to submit requests for appropriations to the City Finance Director by July 1 of each year. The Finance Director uses these requests as a starting point for developing a proposed budget. The proposed budget is then submitted to a tax levy committee composed of the Mayor, City Administrator, and members of the City Council appointed by the City Council. The tax levy committee then recommends a proposed budget to the City Council for approval prior to September 30. Public meetings are held to obtain taxpayer input and a final budget is adopted by the City Council and certified to

the County Auditor prior to December 31, the close of the City of Fergus Falls' fiscal year. The appropriated budget is prepared on a fund and department basis. Department heads of the City may make budgetary transfers between line items within departmental budgets. Transfers of appropriations between departments, however, require the approval of the City Council. Budgets were adopted for the following funds: General fund; the Port Authority, Public Library, Bigwood Event Center, Revolving Loan, Tax Increment districts, and Tax Abatement special revenue funds; the G.O. Port Authority 2019A, Permanent Improvement Revolving, G.O. Capital Improvement 2010A, G.O. Capital Improvement 2012C, G.O. Sales Tax Revenue 2017A, G.O. Equipment Certificates 2020A, G.O. Port Authority 2020A, G.O. Port Authority 2020B, and G.O. Port Authority 2021A debt service funds; and Operations and Airport Capital Improvement capital projects funds. Budget-to-actual comparisons are provided in this report for each individual city fund for which an appropriated annual budget has been adopted. For the General fund and Port Authority special revenue fund, this comparison is presented on pages 42 - 43 as part of the basic financial statements for the governmental funds. For governmental funds, in addition to the General fund and Port Authority special revenue fund, with appropriated annual budgets, this comparison is presented in the governmental fund section of this report, which starts on page 138.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Fergus Falls operates.

State of Minnesota. According to the February 2023 Minnesota Budget and Economic Forecast, Minnesota's budget and economic outlook remains stable with a general fund balance of \$17.455 billion now projected for the next biennium, the majority of which is leftover balance from the current biennium. Higher collections this fiscal year and higher profits raise the individual income and corporate franchise tax forecast; however, the statutory inclusion of inflation in the spending forecast offsets the gain in resources.

Local economy. The City of Fergus Falls continues to experience economic growth during 2022 and into 2023. The housing market is strong for both existing homes and new construction. Housing sale prices continue to be high and property values continue to increase. The majority of area businesses impacted by the pandemic continue to recover.

Over the past few years, the City has experienced a downturn and loss of traditional big-box retail stores. The local economy contains a diversified economic base, consisting of industries and services, including several smaller in size, which are able to withstand economic downturns. The City contains a balanced mix of businesses, which reduces the risk of concentration within sectors. Major industries with headquarters or divisions located within the City's boundaries include healthcare, electric and natural gas utilities, various manufacturers, and numerous financial, insurance, and legal professionals. The City of Fergus Falls is a regional center, the county seat for Otter Tail County, and the home to various State and Federal offices. The City is seeing increased interest in the central business district, building on the current variety of stores, specialty shops and commercial businesses.

According to the MN Department of Employment and Economic Development, the City of Fergus Falls has a total employment of approximately 9,402 jobs and an annual average 2022

unemployment rate of 3.40 percent as compared to 3.20 percent for the State of Minnesota and 3.30 percent for the United States. The labor force draws workers from up to 75 miles from Fergus Falls.

Long-term financial planning. The City performs long-range financial planning with the annual budget process. The long-range plans include governmental-type and business-type activities. The City considers current operations, estimated inflation, expected growth trends, and estimated capital improvements. The long-range planning process enables the City to project future needs and to estimate the financial impact and funding implication for future years. Annually, the City analyzes all enterprise operations and implements applicable rate adjustments to maintain profitability. The goal of the analysis is to maintain fair and equitable rates, which provide stability of operations and support all required capital improvements.

Financial policies. The City's fund balance policy recommends the General fund maintain an unassigned fund balance of 35.00-40.00 percent of the subsequent year's budgeted working capital expenditures. The unassigned fund balance is \$5,878,243 as of December 31, 2022. This amount represents 42.92 percent of the 2023 budgeted working capital expenditures.

Major initiatives.

The City Council has prioritized and continues to invest in the following:

- Fergus Falls is fortunate to have the Otter Tail River running directly through the City. The City Council desires to invest in and revitalize the downtown area while capitalizing on the river as an economic driver. The City has designed and is making improvements to the downtown riverfront corridor. During 2022, construction was completed on the first phase of the project. Phase 1 included a 3-season river market structure, parking lot improvements, a plaza area, trails, and balconies overlooking the river. The City will begin the second phase of this project in 2023 which includes a splash pad, restroom structure, and parking lot and pedestrian improvements. The City was awarded \$1.75 million by the State of Minnesota during the 2020 Legislative Session for this project. Various donors have also pledged funds to the project.
- At the 2022 general election, the City voters approved a .50 percent local option sales tax. The sales tax will be implemented on October 1, 2023 and will provide funding for the construction of an aquatic center and improvements to DeLagoon Park.
- The City Council has prioritized infrastructure and has implemented a 10.00 percent increase to the street overlay and seal coat budgets for 2023.
- Various reconstruction projects to streets and infrastructure were completed or in progress during 2022. Scheduled equipment within the City's fleet is replaced on an annual basis. During 2023, the City will also be constructing street improvements to Union Avenue and Lincoln Avenue as well as various other street and utility reconstruction projects.

The City obtained ownership of the Regional Treatment Center campus from the State of Minnesota effective June 30, 2007. Two parcels of the campus have been sold to a developer from the region. The developer has been remodeling the buildings for market-rate multi-family housing and assisted living facilities. During 2018, 2019, and 2020, the City deconstructed buildings and tunnels that did not contribute to the historic significance of the campus. A project

stabilizing the building envelope has been initiated and is anticipated to be completed by June 30, 2023. The City is open to potential developers for reuse of the remaining campus.

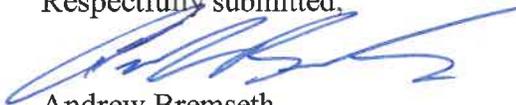
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fergus Falls for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. This was the 31st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Members of the department have our sincere appreciation for their contributions to, and assistance in, the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fergus Falls' finances.

Respectfully submitted,



Andrew Bremseth
City Administrator



Bill Sonmor
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fergus Falls
Minnesota**

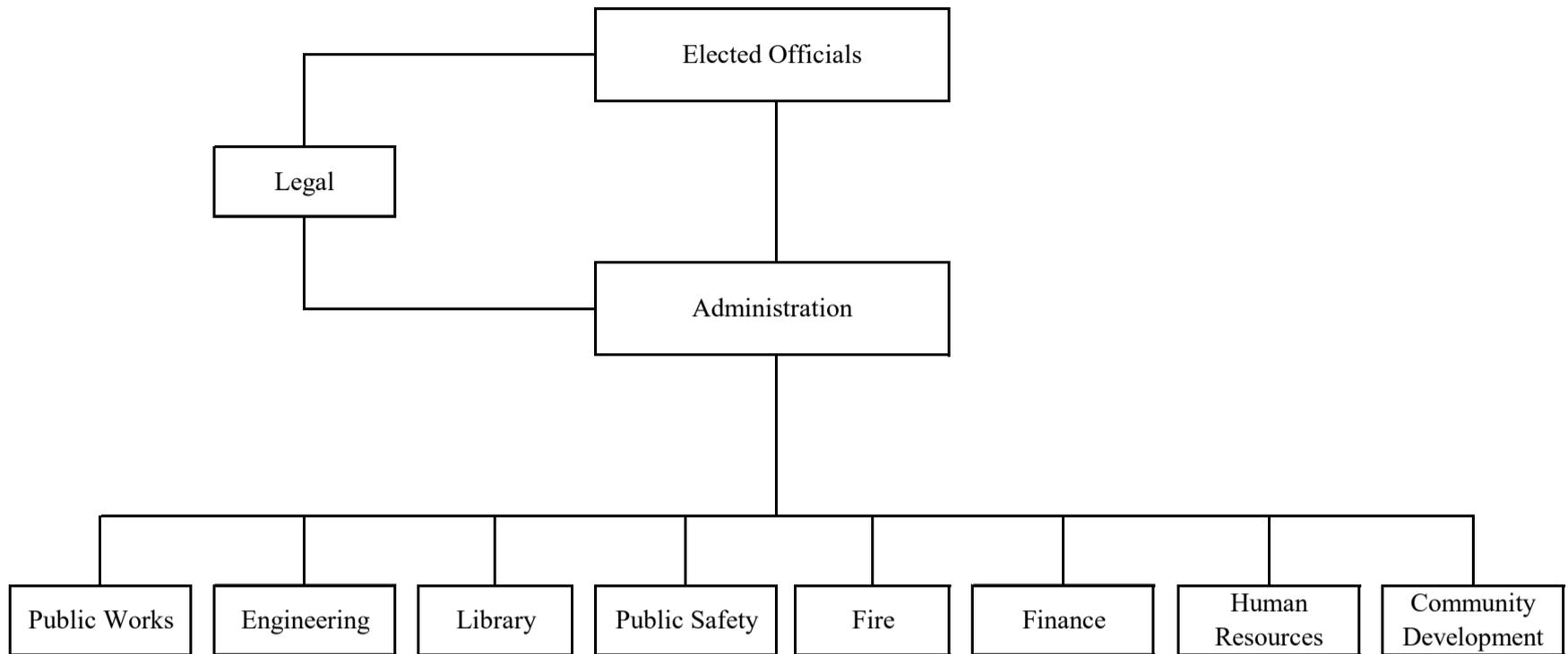
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF FERGUS FALLS ORGANIZATIONAL CHART



CITY OF FERGUS FALLS
List of Principal Officials

Elected Officials

Mayor	Ben Schierer
Council Member – Ward 1	Jim Fish
Council Member – Ward 1	Krista Hagberg
Council Member – Ward 2	Scott Kvamme
Council Member – Ward 2	Tom Rufer
Council Member – Ward 3	Justin Arneson
Council Member – Ward 3	Brent Thompson
Council Member – Ward 4	Karoline Gustafson
Council Member – Ward 4	Anthony Hicks

Appointed Officials

City Administrator	Andrew Bremseth
Assistant to Administrator	Lynne Olson
Finance Director	Bill Sonmor
Assistant Finance Director	Sandy Cunningham
City Engineer	Brian Yavarow
Public Works Director	Len Taylor
Chief of Public Safety	Kile Bergren
Chief of Fire Department	Ryan Muchow
Human Resources Director	Mike Hartwell
Library Director	Gail Hedstrom
Communications Manager	Jean Bowman
Community Development Manager	Klara Beck
City Attorney	Rolf Nycklemoe

Financial Section

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fergus Falls as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Fergus Falls' basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fergus Falls, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and the Port Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 City of Fergus Falls and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Fergus Falls' 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.

Responsibilities of Management for the Financial Statements (Continued)

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 City of Fergus Falls' ability to continue as a going concern for one year 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 GAAS 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 GAAS 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'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'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, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, 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.

Required Supplementary Information Continued)

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 Fergus Falls' basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is 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 Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections 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 19, 2023, on our consideration of the City Fergus Falls' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fergus Falls' internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
May 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fergus Falls, Minnesota, we offer readers of the City of Fergus Falls' financial statements this narrative overview and analysis of the financial activities of the City of Fergus Falls for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Fergus Falls exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$145 million. Of this amount, \$37.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1.6 million.
- As of the close of the current fiscal year, the City of Fergus Falls' governmental funds reported combined ending fund balances of \$21.9 million. Approximately 66 percent of this total amount, or \$14.5 million, is available for spending at the City's direction and per policies.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$5.9 million, or 40.6 percent of total General fund expenditures.
- The City of Fergus Falls' total debt decreased by \$664,982 from 2021 to 2022. The City issued bonds during 2022 and the City and the Fergus Falls Port Authority paid annual principal payments on long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fergus Falls' basic financial statements. The City of Fergus Falls' basic financial statements comprise 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 of Fergus Falls' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Fergus Falls' assets and deferred outflows of resources, and liabilities and deferred inflows 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 of Fergus Falls 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 of Fergus Falls 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 of Fergus Falls include general

government, public safety, streets and highways, sanitation, airport, culture and recreation, community development, economic development and interest on long-term debt. The business-type activities of the City of Fergus Falls include Waste Management, Liquor Store, Sewage Disposal, Water Department and Storm Water operations.

The government-wide financial statements include not only the City of Fergus Falls itself (known as the primary government), but also legally separate nonprofit organizations for which the City of Fergus Falls is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 30 - 33 of this report.

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 of Fergus Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fergus Falls can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the 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 useful in evaluating a city'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 the 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Fergus Falls maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Port Authority special revenue fund, the G.O. Port Authority 2019A debt service fund, and the Operations capital projects fund, all of which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fergus Falls adopts an annual appropriated budget for its General fund and the Port Authority special revenue fund. Budgetary comparison statements have been provided for the General fund and Port Authority special revenue fund to demonstrate compliance with the individual fund budgets.

The basic governmental fund financial statements can be found on pages 34 - 43 of this report.

Proprietary funds. The City of Fergus Falls maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Fergus Falls uses enterprise funds to account for its Waste Management,

Liquor Store, Sewage Disposal, Water Department, and Storm Water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Fergus Falls' various functions. The City of Fergus Falls uses internal service funds to account for its fleet of vehicles and for its health insurance premiums. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 Waste Management, Liquor Store, Sewage Disposal, Water Department, and Storm Water operations, all of which are considered to be major funds of the City of Fergus Falls. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 44 - 53 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fergus Falls' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds are provided in the form of combining statements elsewhere in this report. The basic fiduciary fund financial statement can be found on pages 54 - 55 of this report.

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 notes to the financial statements can be found on pages 56 - 107 of this report.

Other information. Required supplementary information regarding the postemployment healthcare plan and pensions can be found on pages 111 - 123 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial statements and required supplementary information. Combining and individual fund statements and schedules can be found on pages 126 - 165 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City of Fergus Falls, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$144,685,079 at the close of the most recent fiscal year.

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$39,065,432	\$36,734,533	\$29,539,557	\$29,395,789	\$68,604,989	\$66,130,322
Capital assets	76,717,954	77,304,135	36,706,495	36,653,701	113,424,449	113,957,836
Total assets	115,783,386	114,038,668	66,246,052	66,049,490	182,029,438	180,088,158
Deferred outflows of resources	7,116,006	4,218,063	762,634	953,682	7,878,640	5,171,745
Long-term liabilities outstanding	28,001,348	19,346,392	8,472,869	7,917,737	36,474,217	27,264,129
Other liabilities	2,962,354	3,039,608	641,804	647,493	3,604,158	3,687,101
Total liabilities	30,963,702	22,386,000	9,114,673	8,565,230	40,078,375	30,951,230
Deferred inflows of resources	5,027,282	9,756,986	117,342	1,387,319	5,144,624	11,144,305
Net position:						
Net investment in						
capital assets	63,859,502	63,181,816	32,024,118	31,558,733	95,555,580	94,026,581
Restricted	9,790,722	8,551,623	2,065,894	2,157,565	11,856,616	10,709,188
Unrestricted	13,258,184	14,380,306	23,686,659	23,334,325	37,272,883	38,428,599
Total net position	\$86,908,408	\$86,113,745	\$57,776,671	\$57,050,623	\$144,685,079	\$143,164,368

By far the largest portion of the City of Fergus Falls' net position (66.04 percent) reflects its investment in capital assets (e.g., land, intangible assets, buildings and systems, improvements other than buildings, machinery and equipment, infrastructure, and leased equipment; net of depreciation); less any related debt, used to acquire those assets, that is still outstanding. The City of Fergus Falls uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fergus Falls' investment 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.

An additional portion of the City of Fergus Falls' net position (8.19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$37.3 million, may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fergus Falls 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 City's net position increased by \$1.6 million during the current fiscal year. This increase resulted from the receipt of capital grants for street and utility infrastructure, park improvements and the downtown riverfront corridor. The City's investment portfolio experienced negative investment earnings resulting from increasing interest rates in the market. The business-type activities also experienced profitability, which contributed to the increase in net position.

City of Fergus Falls' Changes in Net Position

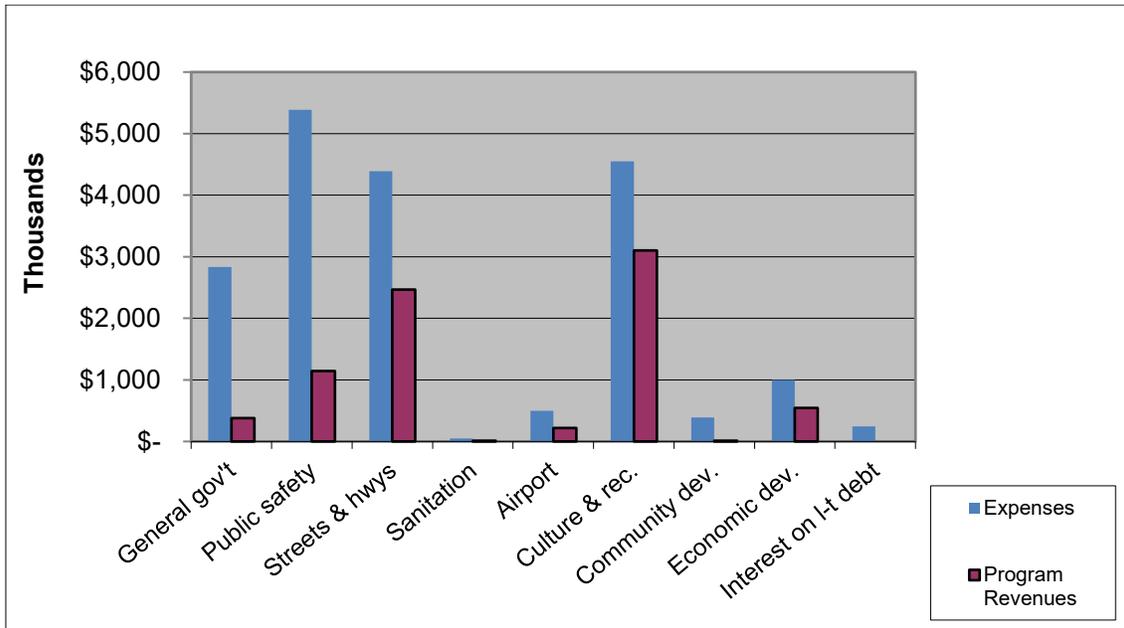
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$2,313,889	\$2,036,980	\$16,857,269	\$16,586,383	\$19,171,158	\$18,623,363
Operating grants and contributions	1,279,203	1,379,154			1,279,203	1,379,154
Capital grants and contributions	4,287,334	3,950,636			4,287,334	3,950,636
General revenues:						
Property taxes	7,154,288	6,597,663			7,154,288	6,597,663
Local option sales tax	1,265,431	1,560,963			1,265,431	1,560,963
Lodging taxes	169,686	138,801			169,686	138,801
Tax increments	242,576	235,289			242,576	235,289
Intergovernmental	3,809,974	3,801,491			3,809,974	3,801,491
Unrestricted investment earnings	(884,915)	(95,456)	(1,592,041)	(155,914)	(2,476,956)	(251,370)
Gain on sale of capital assets	32,810		473	35,242	33,283	35,242
Total revenues	\$19,670,276	\$19,605,521	\$15,265,701	\$16,465,711	\$34,935,977	\$36,071,232
Expenses:						
General government	\$2,835,798	\$2,278,776			\$2,835,798	\$2,278,776
Public safety	5,384,525	4,223,211			5,384,525	4,223,211
Streets and highways	4,386,605	3,604,589			4,386,605	3,604,589
Sanitation	49,016	39,876			49,016	39,876
Airport	500,269	455,053			500,269	455,053
Culture and recreation	4,549,495	3,619,536			4,549,495	3,619,536
Community development	389,485	303,216			389,485	303,216
Economic development	996,509	1,011,599			996,509	1,011,599
Interest on long-term debt	247,061	258,834			247,061	258,834
Waste Management			3,243,053	3,050,271	3,243,053	3,050,271
Liquor Store			6,295,130	6,236,844	6,295,130	6,236,844
Sewage Disposal			1,972,975	1,891,615	1,972,975	1,891,615
Water Department			1,988,943	1,802,895	1,988,943	1,802,895
Storm Water			519,251	404,799	519,251	404,799
Total expenses	\$19,338,763	\$15,794,690	\$14,019,352	\$13,386,424	\$33,358,115	\$29,181,114
Increase (decrease) in net position						
before transfers	\$331,513	\$3,810,831	\$1,246,349	\$3,079,287	\$1,577,862	\$6,890,118
Transfers	520,301	1,899,786	(520,301)	(1,899,786)		
Increase (decrease) in net position	\$851,814	\$5,710,617	\$726,048	\$1,179,501	\$1,577,862	\$6,890,118
Net position - 01-01-22	86,113,745	80,403,128	57,050,623	55,871,122	143,164,368	136,274,250
Change in accounting principle/						
prior period adjustment	(57,151)				(57,151)	
Net position - 12-31-22	\$86,908,408	\$86,113,745	\$57,776,671	\$57,050,623	\$144,685,079	\$143,164,368

Governmental activities. Governmental activities increased the City of Fergus Falls' net position by \$851,814. Explanations regarding the increase and significant changes in governmental activities were as follows:

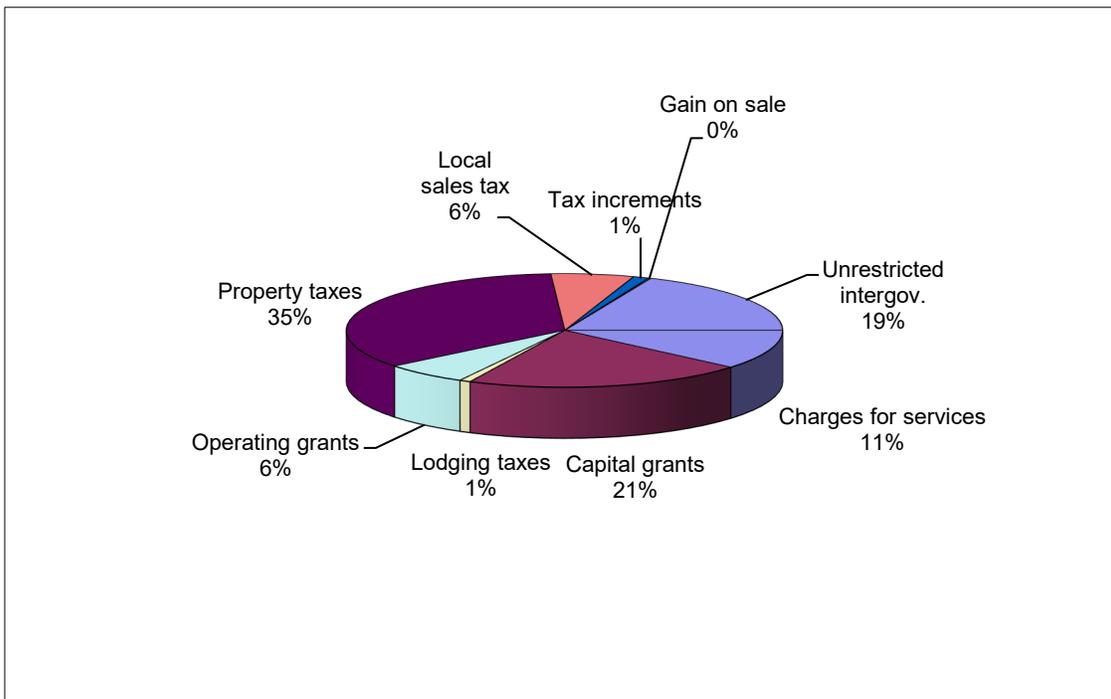
- Charges for services increased \$277,000 from 2021. Building permit revenue increased over 2021, Community Ice Arena fees increased to cover the cost of a temporary chiller for the provision of summer ice, and sales increased at the Bigwood Event Center during 2022.
- The operating grants decreased about \$100,000 or 7.25 percent from 2021. The City recognized \$71,000 of American Rescue Plan Act (ARPA) funds during 2022 as compared to \$213,000 from ARPA funds in 2021. The Revolving Loan fund recognized \$155,875 from a Federal Community Development Block grant during 2021, but did not receive grants funds during 2022. The decreases were offset by increases in State funding for streets and the airport.
- The capital grants increased \$337,000 from 2021 to 2022. Funding for airport projects decreased \$387,000 during 2022 as the runway lighting project was substantially completed in 2021 and future projects are currently in the design phase. The City levied special assessments for the infrastructure project related to Campus View housing development, which was included in the capital grants. The City recognized less State construction aid for streets during 2022.
- The property tax levy increased from \$6.6 million in 2021 to \$7.2 million in 2022 after holding the property tax levy stable the prior year due to the impacts of the pandemic.
- The City ended the local option sales tax on September 30, 2022. The collections were determined to be sufficient for the remaining debt service payments of the G.O. Sales Tax Revenue Bonds, Series 2017A.
- The City experienced a significant increase in lodging tax collections during 2022. During 2021, the collections rebounded to the pre-pandemic levels and the City experienced continued growth into 2022. The corresponding Community Development expenditures also returned to pre-pandemic levels and experienced the same growth in 2022, as the lodging tax is paid over to the Fergus Falls Convention and Visitor's Bureau.
- The intergovernmental revenues remained stable from 2021 to 2022. The City is dependent on the \$3,808,902 of Local Government Aid (LGA) received from the State of Minnesota.
- The City experienced negative investment earnings for the governmental-type activities totaling (\$884,915). The investment portfolio earned a negative return of (9.02) percent including a decrease in fair value of (\$3.4 million) during 2022. During 2021 the investment portfolio earned a negative return of (.57) percent including a decrease in fair value of (\$921,734).
- The general government expenses increased due to the following:
 - The City hired a communications manager
 - The Information Technology department hired an I.T. Director and the existing director entered phased retirement
 - A general election was held during 2022
 - The Flexible Benefit fund was moved to the General Fund
 - The City recorded pension expense for the City's proportionate share of the Public Retirement Association of Minnesota, which was \$152,000 higher than the amount recognized in 2021.
- The public safety expenditures increased about 27.5 percent as a result of the following:

- Police Department wages and benefits increased \$260,000 or about 8 percent
- Fire Department experienced increase expenses related to retirements amounting to \$57,000
- The City recorded pension expense for the City's proportionate share of the Public Retirement Association of Minnesota, which was \$678,000 higher than the amount recognized in 2021.
- The streets and highways expenses increased about \$782,000 or 22 percent from 2021 to 2022. During 2022, the City spent \$572,000 for street overlay and seal coat projects compared to \$148,000 in 2021. The City expended \$122,500 more for ice and snow removal during 2022 and also recognized \$122,000 more for pension expense.
- The airport expenditures were up \$45,000 or about 10% in 2022 as compared to 2021. The increase was due to increased propane costs and repairs to T-hangars.
- Culture and recreation expenditures were \$930,000 or 26% higher in 2022 compared to 2021. The City provided summer ice for the Community Ice Arena through the rental of a temporary chiller. The costs of \$101,000 for the temporary chiller were funded by the user groups. The Bigwood Event Center was open for business and expenditures increased \$210,000 based on operations. Pension expense increased \$170,000 for 2022 over 2021. The addition of Spies Riverfront Park and various other park improvements, depreciation increased by \$155,000 during 2022.
- The City experienced increased lodging tax collection which were paid to the Fergus Falls Convention and Visitors Bureau under community development. The City also implemented a housing rebate tax abatement program and the first payments to homeowners occurred during 2022.
- The City experienced no participation in a residential rehabilitation program administered through the Fergus Falls Housing and Redevelopment Authority, which decreased the economic development expenditures during 2022.
- The City transferred funds from the business-type activities to the governmental activities to provide funding for various operating and capital expenditures. During 2022, the City also transferred \$1,105,168 from the governmental activities to the business-type activities for utility infrastructure. During 2021, the City transferred an additional \$400,000 from the Liquor Store to the Operations capital projects fund for improvements to the downtown riverfront corridor.
- The change in accounting principle resulted from the following two items (see Note 6. I.):
 - The City implemented GASB Statement No. 87, Leases. This resulted in an adjustment to the beginning net position on the Statement of Activities to reduce a contract receivable from Independent School District 544 in the amount of \$72,984. According to GASB Statement No. 87, this contract is now classified as a lease receivable and included in Deferred Inflows of Resources – Lease receivable on the Statement of Net Position.
 - The Flexible Benefit fund was determined to not meet the criteria of classification as a custodial fund. This resulted in an addition of \$15,833 to the beginning net position on the Statement of Activities.

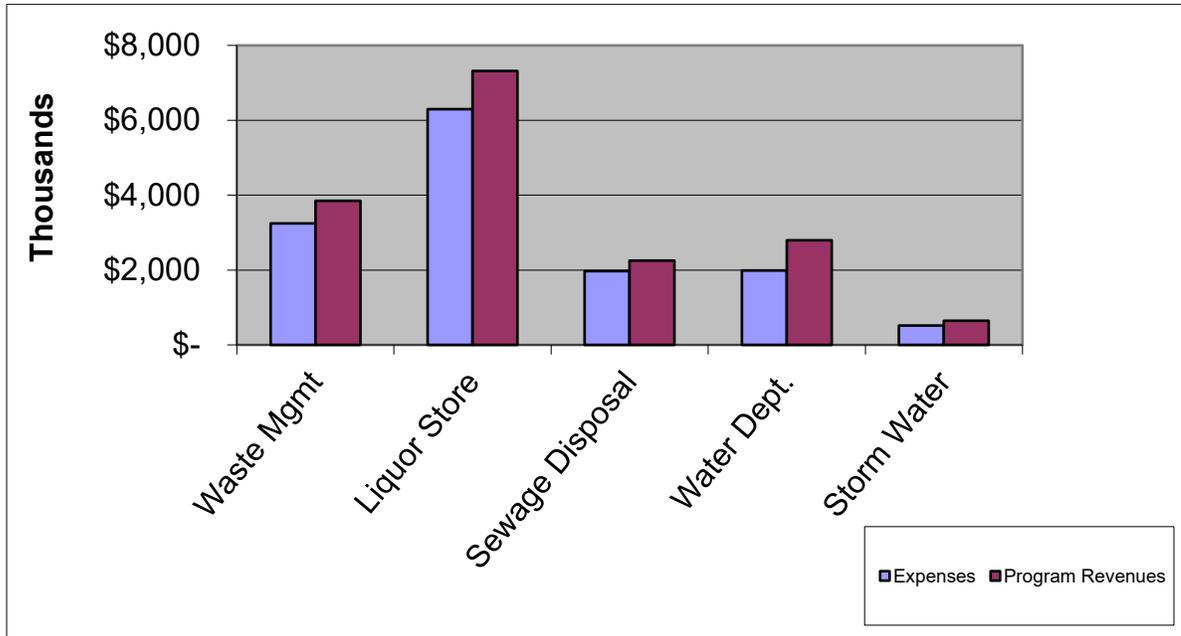
Expenses and Program Revenues – Governmental activities



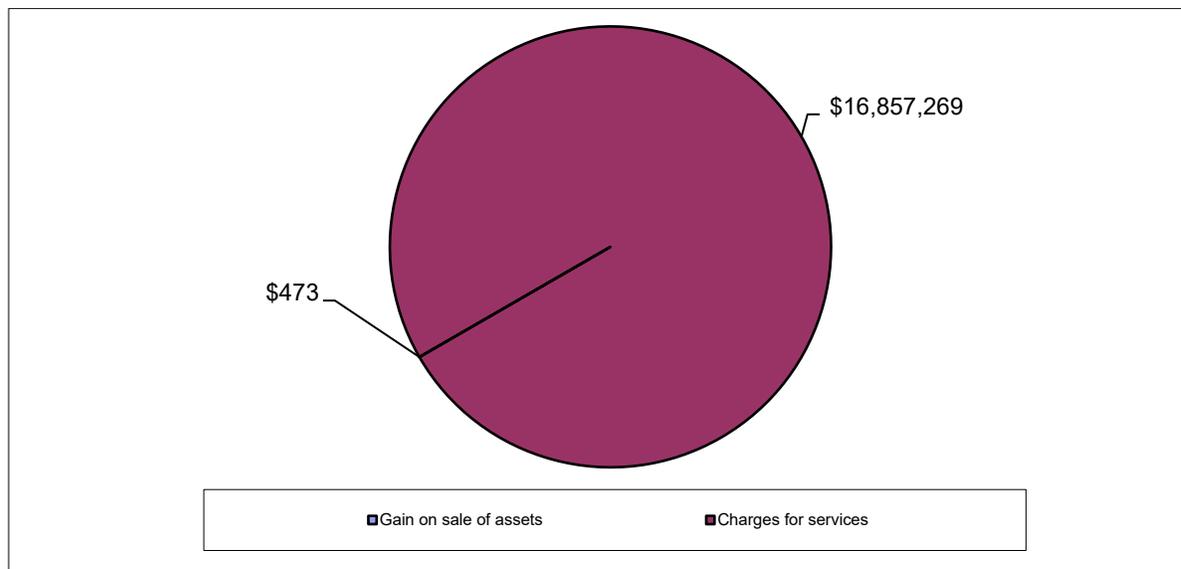
Revenues by Source – Governmental activities



Expenses and Program Revenues – Business-type activities



Revenue by Source – Business-type activities



Business-type activities. Business-type activities increased the City of Fergus Falls' net position by \$726,048 for the current fiscal year. Significant changes in business-type activities were as follows:

- The charges for services increased \$271,000 from 2021 to 2022. The City adjusted utility rates in 2022 for Waste Management and the Water Department.
- The City experienced negative investment earnings for the business-type activities totaling (\$1,592,041). The investment portfolio earned a negative return of (9.02) percent including a decrease in fair value of (\$3.4 million) during 2022. During 2021 the investment portfolio earned a negative return of (.57) percent including a decrease in fair value of (\$921,734).
- The City experienced significant inflation in the operating costs throughout the business-type activities during 2022. The Water Department experienced increased staffing needs during 2022, which increased to operating expenses. The City performed additional improvements to the Main Street storm water infrastructure as well.

Financial Analysis of the Government's Funds

As noted earlier, the City of Fergus Falls uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Fergus Falls' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fergus Falls' financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Fergus Falls' governmental funds reported combined ending fund balances of \$21,944,329, a decrease of \$2,322,979, in comparison with the prior year. Approximately \$5.9 million or 26.79 percent of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is categorized according to availability and restriction. See Note 3 on page 77 for the detailed information regarding fund balances. Approximately .84 percent or \$184,584 of the total fund balance is classified as nonspendable, representing resources that are not in spendable form or are legally or contractually required to be maintained intact. Approximately 33.15 percent or \$7,275,611 of the total fund balance is classified as restricted to indicate that it is constrained by external sources or enabling legislation. Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council are classified as committed fund balance and comprise 2.35 percent of the total fund balance or \$514,826. Fund balance amounts that are constrained by the City Council's intent are classified as assigned fund balance and comprise 36.87 percent of the total fund balance or \$8,091,065.

The General fund is the chief operating fund of the City of Fergus Falls. At the end of the current fiscal year, unassigned fund balance of the General fund was \$5,878,243, while the total fund balance was \$8,684,592. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 40.6 percent of the total General fund expenditures, while the total fund balance represents 60 percent of that same amount.

The fund balance of the City of Fergus Falls' General fund decreased by (\$1,504,414) during the current fiscal year. Key factors in this decrease are as follows:

- The investment earnings were (\$507,990) versus the budget of \$200,000 as noted with the performance of the investment portfolio.

- The City purchased the chiller system for the Community Ice Arena from Independent School District 544 during 2022. During 2022 the City expended \$649,708 for the purchase and installation of the system.
- The City performed additional seal coat and bituminous overlay projects during 2022 using \$160,000 of unexpended budget from 2021.
- The City expended \$234,000 from fund balance restricted for street maintenance for various street construction projects.
- Certain amounts of capital outlay and benefits owed included within the 2022 budget were not expended and will be carried forward for future year purchases and benefit payments.

The Port Authority fund had a total fund balance of \$3,429,146 as of December 31, 2022. Of the total fund balance, \$548,451 is restricted for the Community Behavioral Health Hospital (CBHH) operations and capital maintenance. The remaining fund balance of \$2,880,695 is assigned for Port Authority economic development purposes. The net increase in fund balance during the current year was \$60,122. The increase was the result of the issuance of general obligation bonds for the demolition and cleanup of the dairy site. The demolition and cleanup expenses are accounted for in the property held for resale as the Port Authority intends to sell the property for future park development and private development.

The G.O. Port Authority 2019A debt service fund was established for the payment of principal and interest on the G.O. Port Authority Bonds, Series 2019A. The fund had a total fund balance of \$38,684 as of December 31, 2022, all of which is restricted for the payment of debt service. The fund balance is the result of unexpended lease payments pledged to the bonds.

The Operations capital projects fund had a total fund balance of \$1,757,352 as of December 31, 2022. Of the total fund balance, \$606,412 is restricted as follows: \$405,941 contributions for the library expansion project and \$200,471 unexpended bond proceeds for infrastructure improvements. The remaining fund balance of \$1,150,940 is assigned for future capital projects and debt service on improvement bonds. The fund balance decreased \$643,120 during the current year. The City expended \$155,500 from fund balance for Permanent Improvement Revolving Fund bond debt service payments. The City also expended funds during 2022 for projects where the funding will be provided in future years.

Proprietary funds. The City of Fergus Falls' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for the proprietary funds at the end of the year was as follows:

- Waste Management net position of \$1,349,043.
- Liquor Store net position of \$1,856,096.
- Sewage Disposal net position of \$10,291,289.
- Water Department net position of \$5,946,674.
- Storm Water net position of \$1,838,628.

The total change in net position for proprietary funds was an increase of \$727,176. The net increase was the result of positive operations in all proprietary funds, except the Sewage Disposal fund. The proprietary funds experienced significant negative investment earnings based on the decrease in the fair value of investments recognized during 2022. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Fergus Falls' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final budget during 2022 were an increase of \$2,588,241 in appropriations (expenditures and transfers out) and can be briefly summarized as follows:

- \$1,197,924 increase from unexpended 2021 capital outlay carried forward to 2022.
- \$287,742 increase to the transfers out, parking lot, and street infrastructure budgets to provide project funding to the Operations capital projects fund.
- \$262,416 increase to carry forward the unexpended 2021 street maintenance budget for seal coat and bituminous overlay projects.
- \$227,550 increase to the parks budget for use of donations and transfers for the Dr. Allen Magnuson Park.
- \$201,286 increase to carry forward funding for future payments of benefits owed upon retirements.
- \$112,745 increase from 2021 unexpended forfeiture funds carried forward to 2022 and a \$7,502 increase for the receipt of 2022 forfeitures.
- \$92,672 increase to the ice and snow removal budget from the unexpended 2021 budget.
- \$61,000 increase to fund the phased retirement for the Data Processing department. The funding was provided through ARPA funds.
- \$37,000 increase for the hiring of a Communication Manager.
- \$26,917 increase to the property abatement budget from the unexpended 2021 budget.
- \$15,600 increase to the public art budget for The River Is project funded through a grant from the Lake Region Arts Council.
- A net increase of \$65,389 miscellaneous adjustments for various programs.

When comparing the 2022 actual results with the final budget, variances in revenues and expenditures are noted as follows:

- The City experienced increased construction throughout the City resulting in additional building permit revenue of \$117,000 more than the budget.
- The lodging tax collections were up 21.2 percent from the budget. The City budgeted conservatively as we moved past the pandemic and the local hospitality industry also experienced increased business.
- The City received funds from the ARPA and recognized \$488,000, which was not included within the 2022 budget.
- The City received \$214,500 of unbudgeted intergovernmental State revenues restricted for street maintenance projects.
- The City received unbudgeted charges for off-season ice rental and chiller costs at the Community Ice Arena.
- The City experienced negative investment earnings of (\$507,990) compared to \$200,000 included in the 2022 budget.
- The City received unbudgeted insurance dividends of \$56,204 from the League of Minnesota Cities.
- The General Government expenditures were under budget as the City carried forward unexpended funds for future payments of benefits owed to employees upon retirement or separation from service. The City had also budgeted to perform a comprehensive plan for \$75,000, but performed a strategic planning process at a reduced cost.
- The Police Department had officer positions vacant during 2022, which resulted in personnel expenditures less than the 2022 budgeted amounts.

- The City received additional unbudgeted State Fire Aid and remitted the aid to the fire relief association resulting in expenditures in excess of the budget. The revenue received also exceeds the budget by the same amount.
- The costs for propane at the airport exceeded the budget due to high inflation during 2022. The airport also replaced lighting and incurred additional inspections and updates.
- Streets and Highways expenditures were under budget as the City carried forward the unexpended balance of the 2021 seal coat and bituminous overlay budgets and about \$77,500 remain unexpended as of the end of the year. The GIS department was merged with the Planning and Zoning department resulting in reduced cost for 2022. The unexpended balance within ice and snow removal will be carried forward to 2023. The City has been transitioning the street lighting to Otter Tail Power over the last couple years. Budget estimates were higher than actual experience.
- The Culture and Recreation expenditures exceeded the budget due to the rental of a temporary chiller for the Community Ice Arena. All costs associated with the chiller were funded by the user groups.
- The Community Development expenditures exceeded the budget due to the collection of lodging tax revenue in excess of the budgeted revenue used to fund the Convention and Visitors Bureau.
- The Economic Development expenditures exceeded the budget by \$15,808 because of costs associated with maintenance and holding the Regional Treatment Center property.
- A positive variance was experienced in capital outlay, which will be carried forward to future budgets. The City accumulates capital outlay funds over a number of years as a saving mechanism to provide funding for anticipated projects.
- The City transferred accumulated restricted funds to various street construction projects.

Capital Asset and Debt Administration

Capital assets. The City of Fergus Falls' investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to \$113,424,449 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and systems, improvements other than buildings, machinery and equipment, leased equipment, and infrastructure.

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

- A variety of street, bridge, and sidewalk construction projects were completed and in progress during 2022; additions to capital assets were \$1,361,090 and construction in progress as of the close of the fiscal year was \$1,033,350.
- Projects initiated at the airport include replacement of the fuel system and the AWOS replacement and relocation. Construction in progress for the airport projects as of the end of the year was \$80,627.
- The City is constructing improvements to the downtown riverfront corridor. The first phase was completed during 2022 and \$4,773,774 was added to capital assets. The City was awarded \$1,750,000 from the State of Minnesota for funding the project during the 2020 legislative session. The second phase of construction will begin during 2023 with completion planned for 2024. The budget for the second phase is \$5.3 million and construction in progress has reached \$930,385 as of December 31, 2022.
- Construction was substantially completed for the redevelopment of Dr. Allen Magnuson Park and \$653,271 was added to capital assets during 2022.
- The City purchased a chiller system from the Independent School District 544 for the Community Ice Arena. The costs relating to the chiller was \$630,864 and was added to capital assets.

- The City purchased technology equipment for the Bigwood Event Center and \$240,149 was added to capital assets.
- During 2022, the City purchased \$731,143 of various equipment to replace machinery and equipment within the City’s fleet. Equipment with a historical cost of \$311,425 was either traded in for the new equipment or disposed.
- During 2022, various infrastructure improvements and equipment were added to capital assets for the Sewage Disposal, Water Department, and Storm Water systems. Additions to capital assets totaled \$709,393. Construction in progress for these areas was \$1,623,351 as of December 31, 2022.
- Depreciation and amortization for 2022 was \$3,981,718 for governmental activities and \$1,549,025 for business-type activities.

**City of Fergus Falls' Capital Assets
(Net of Depreciation)**

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$6,187,360	\$6,187,360	\$565,940	\$565,940	\$6,753,300	\$6,753,300
Intangible assets	232,170	232,170			232,170	232,170
Buildings and systems	24,520,701	27,522,407	3,766,902	4,032,478	28,287,603	31,554,885
Improvements other than buildings	10,790,562	5,851,629	29,386,467	29,919,290	40,177,029	35,770,919
Machinery and equipment	5,502,383	5,351,172	1,363,835	1,405,068	6,866,218	6,756,240
Infrastructure	27,011,945	26,857,362			27,011,945	26,857,362
Leased equipment	114,433				114,433	
Construction in progress	2,358,400	5,302,035	1,623,351	730,925	3,981,751	6,032,960
Total	\$76,717,954	\$77,304,135	\$36,706,495	\$36,653,701	\$113,424,449	\$113,957,836

Additional information on the City of Fergus Falls’ capital assets can be found in Note 3 on pages 73 - 74 of this report.

Long-term debt. At the end of the current fiscal year, the City of Fergus Falls had a total bonded debt outstanding of \$17,159,547. Of this amount, \$3,705,000 comprises capital improvement plan debt and equipment certificates backed by the full faith and credit of the City; \$900,000 comprises sales tax revenue debt backed by the full faith and credit of the City and the collection of a local option sales tax; \$1,585,000 comprises improvement debt backed by special assessments levied against benefiting properties and the full faith and credit of the City; \$4,984,547 comprises Port Authority debt backed by the full faith and credit of the City and the collection of general property taxes and payments from a financed purchase agreement pledged to the bonds; \$1,670,000 comprises general obligation tax increment bonds backed by the full faith and credit of the City and the collection of tax increments pledged to the bonds; and \$4,315,000 comprises proprietary fund debt backed by the respective revenues and the full faith and credit of the City.

**City of Fergus Falls' Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental activities		Business-type activities		Total	
	2021	2021	2021	2021	2022	2021
Capital improvement plan	\$3,370,000	\$3,670,000			\$3,370,000	\$3,670,000
Equipment certificates	335,000	375,000			335,000	375,000
Sales tax revenue bonds	900,000	2,010,000			900,000	2,010,000
Improvement debt with governmental commitment	1,585,000	1,960,000			1,585,000	1,960,000
Port Authority bonds	4,984,547	4,976,417			4,984,547	4,976,417
Tax increment bonds	1,670,000				1,670,000	
Revenue bonds			4,315,000	4,690,000	4,315,000	4,690,000
Total	\$12,844,547	\$12,991,417	\$4,315,000	\$4,690,000	\$17,159,547	\$17,681,417

The City of Fergus Falls’ total bonded debt decreased \$521,870 (2.95 percent) during the current fiscal year. The change in bonded debt is the result of the issuance of the \$1,670,000 G.O. Tax Increment Revenue Bonds, Series 2022A, which provided funds for the installation of infrastructure for a new housing development. The City also received proceeds from the final draw of the G.O. Port Authority Bonds, Series 2020A (\$83,318). The total debt was reduced by principal payments on long-term debt.

The City of Fergus Falls maintains a bond rating of Aa3 from Moody’s Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.00 percent of its total market value of taxable property. The current debt limitation for the City of Fergus Falls is \$29,336,688, which is significantly in excess of the City of Fergus Falls’ outstanding general obligation debt.

Additional information on the City of Fergus Falls’ long-term debt can be found in Note 5 on pages 79 - 81 of this report.

Economic Factors and Next Year’s Budgets and Rates

The 2022 annual average unemployment rate (not seasonally adjusted) for the City of Fergus Falls was 3.40 percent, which was an increase from a rate of 3.00 percent a year ago. This compares unfavorably to the State’s 2022 annual unemployment rate (not seasonally adjusted) of 3.20 percent, and also compares unfavorably to the United States’ 2022 annual average unemployment rate of 3.30 percent.

Development activity within the City continued to grow during 2022. The City experienced new home construction with 14 new home starts in 2022 compared to 16 new homes in 2021. The City experienced new construction in the commercial area as well as several remodeling projects. The value of building permits increased from \$26.8 million in 2021 to \$47.4 million in 2022. The City is experiencing further development activity thus far in 2023.

The City experienced significant growth in the valuation of commercial and residential properties during 2022. This valuation increase resulted in a decrease to the City’s tax rate from 59.026 percent in 2022 to 53.851 percent in 2023.

During the current fiscal year, total fund balance in the General fund decreased to \$8,684,592. The City relies on the State of Minnesota Local Government Aid (LGA). The 2022 LGA allotment of \$3,808,902 comprises 28.5 percent of the funding for the 2022 General fund original budget. The City received a .20

percent increase in LGA for 2022. For several years, the City has experienced stable amounts of LGA from the State of Minnesota. The City strives to maintain adequate unassigned fund balance in the General fund to manage future budgets. The City does allow the carryover of unspent capital outlay and snow and ice removal budgets for use in future years if the need arises.

The Waste Management, Sewage Disposal, Water Department, and Storm Water rates are evaluated on an annual basis and recommended changes are presented to the City Council for approval.

All of these factors were considered in preparing the City of Fergus Falls' budget for the 2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Fergus Falls' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 112 West Washington Avenue, Fergus Falls, Minnesota, 56537.

BASIC FINANCIAL STATEMENTS

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
ASSETS					
Cash and cash equivalents	\$7,238,429	\$5,987,822	\$13,226,251	\$258,549	\$163,246
Investments	11,120,036	13,800,000	24,920,036		
Receivables:					
Taxes	221,274		221,274		
Special assessments	5,465,908		5,465,908		
Notes and contracts	4,659,392		4,659,392		
Leases	2,770,952		2,770,952		
Intergovernmental	4,820,996	38,973	4,859,969		32,417
Other	962,694	864,334	1,827,028	21,347	532
Internal balances	(4,295,007)	4,295,007			
Inventories	417,557	1,612,783	2,030,340		
Prepaid items	38,642	92,406	131,048	491	324
Property held for resale	3,768,089		3,768,089		
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	36,304	348,232	384,536		
Investments		2,500,000	2,500,000		
Net pension asset - fire relief association	1,840,166		1,840,166		
Capital assets (net of accumulated depreciation):					
Land	6,187,360	565,940	6,753,300		
Intangible assets	232,170		232,170		
Buildings and systems	24,520,701	3,766,902	28,287,603		
Improvements other than buildings	10,790,562	29,386,467	40,177,029	1,624	
Machinery and equipment	5,502,383	1,363,835	6,866,218		
Infrastructure	27,011,945		27,011,945		
Leased equipment	114,433		114,433		
Construction in progress	2,358,400	1,623,351	3,981,751		
Total assets	<u>\$115,783,386</u>	<u>\$66,246,052</u>	<u>\$182,029,438</u>	<u>\$282,011</u>	<u>\$196,519</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	\$63,565	\$17,856	\$81,421		
Pensions	7,052,441	744,778	7,797,219		
Total deferred outflows of resources	<u>\$7,116,006</u>	<u>\$762,634</u>	<u>\$7,878,640</u>		

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
LIABILITIES					
Accounts payable	\$970,019	\$384,592	\$1,354,611	\$540	\$8,633
Accrued salaries payable	180,688	96,420	277,108	947	1,139
Retainage payable	470,233		470,233		
Intergovernmental payable	122,965	112,359	235,324	43	51
Interest payable	67,368	37,098	104,466		
Unearned revenue	1,114,777	11,335	1,126,112		
Liabilities payable from restricted assets	36,304		36,304		
Noncurrent liabilities:					
Due within one year	2,526,589	638,275	3,164,864	4,239	373
Due in more than one year	12,667,358	5,214,663	17,882,021	5,057	
Total OPEB liability	573,067	160,979	734,046		
Net pension liability	12,234,334	2,458,952	14,693,286		
Total liabilities	\$30,963,702	\$9,114,673	\$40,078,375	\$10,826	\$10,196
DEFERRED INFLOWS OF RESOURCES					
Revenue for subsequent years	\$1,271,756		\$1,271,756		
Lease receivable	2,770,952		2,770,952		
OPEB	113,428	31,861	145,289		
Pensions	871,146	85,481	956,627		
Total deferred inflows of resources	\$5,027,282	\$117,342	\$5,144,624		
NET POSITION					
Net investment in capital assets	\$63,859,502	\$32,024,118	\$95,555,580		
Permanently restricted for: (nonexpendable)					
Library purposes	14,301		14,301		
Temporarily restricted for: (expendable)					
Bad debts - IRP regulations	24,278		24,278		
Canine program	3,253		3,253		
CBHH operations	28,672		28,672		
Community ice arena	411,274		411,274		
Debt service	3,813,583		3,813,583		
E & G Noyes Park	413		413		
Infrastructure improvements	200,471		200,471		
Employee flexible benefits	3,083		3,083		
Landfill closure/postclosure		2,065,894	2,065,894		
Library building	1,124,281		1,124,281		
Library purposes	49,927		49,927		
Park improvements	5,702		5,702		
Police forfeitures	118,166		118,166		
Police programs	10,080		10,080		
Public restrooms	7,876		7,876		
Renewal and replacement - CBHH	519,779		519,779		
Revolving loans	2,790,904		2,790,904		
Street maintenance	564,352		564,352		
Tax increment districts	91,764		91,764		
Tri-centennial	8,563		8,563		
Unrestricted	13,258,184	23,686,659	37,272,883	271,185	186,323
Total net position	\$86,908,408	\$57,776,671	\$144,685,079	\$271,185	\$186,323

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Activities
For the Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
Governmental activities:				
General government	\$2,835,798	\$290,055	\$89,434	
Public safety	5,384,525	609,288	534,934	
Streets and highways	4,386,605	54,197	307,695	2,106,120
Sanitation	49,016	9,864	398	
Airport	500,269	41,233	112,115	64,949
Culture and recreation	4,549,495	829,869	229,533	2,043,446
Community development	389,485	8,500	1,976	
Economic development	996,509	470,883	3,118	72,819
Interest on long-term debt	247,061			
Total governmental activities	<u>\$19,338,763</u>	<u>\$2,313,889</u>	<u>\$1,279,203</u>	<u>\$4,287,334</u>
Business-type activities:				
Waste Management	\$3,243,053	\$3,847,494		
Liquor Store	6,295,130	7,320,491		
Sewage Disposal	1,972,975	2,247,720		
Water Department	1,988,943	2,793,858		
Storm Water	519,251	647,706		
Total business-type activities	<u>\$14,019,352</u>	<u>\$16,857,269</u>		
Total primary government	<u>\$33,358,115</u>	<u>\$19,171,158</u>	<u>\$1,279,203</u>	<u>\$4,287,334</u>
Component units:				
PEG Access	\$92,932	\$1,051	\$105,806	
Fergus Falls Convention and Visitor's Bureau, Inc.	149,293		198,626	
Total component units	<u>\$242,225</u>	<u>\$1,051</u>	<u>\$304,432</u>	
General revenues:				
Property taxes				
Local option sales tax				
Lodging taxes				
Tax increments				
Unrestricted intergovernmental revenues				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues, special items, and transfers				
Change in net position				
Net position - beginning				
Change in accounting principle/prior period adjustment (Note 6.I.)				
Net position - beginning, as restated				
Net position - ending				

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	PEG Access	Fergus Falls Convention and Visitor's Bureau, Inc.
(\$2,456,309)		(\$2,456,309)		
(4,240,303)		(4,240,303)		
(1,918,593)		(1,918,593)		
(38,754)		(38,754)		
(281,972)		(281,972)		
(1,446,647)		(1,446,647)		
(379,009)		(379,009)		
(449,689)		(449,689)		
(247,061)		(247,061)		
<u>(\$11,458,337)</u>		<u>(\$11,458,337)</u>		
	\$604,441	\$604,441		
	1,025,361	1,025,361		
	274,745	274,745		
	804,915	804,915		
	128,455	128,455		
	<u>\$2,837,917</u>	<u>\$2,837,917</u>		
<u>(\$11,458,337)</u>	<u>\$2,837,917</u>	<u>(\$8,620,420)</u>		
			\$13,925	
				49,333
			<u>\$13,925</u>	<u>\$49,333</u>
\$7,154,288		\$7,154,288		
1,265,431		1,265,431		
169,686		169,686		
242,576		242,576		
3,809,974		3,809,974		
(884,915)	(1,592,041)	(2,476,956)	(15,605)	(7,068)
32,810	473	33,283		
520,301	(520,301)			
<u>\$12,310,151</u>	<u>(\$2,111,869)</u>	<u>\$10,198,282</u>	<u>(\$15,605)</u>	<u>(\$7,068)</u>
\$851,814	\$726,048	\$1,577,862	(\$1,680)	\$42,265
86,113,745	57,050,623	143,164,368	272,865	144,058
(57,151)		(57,151)		
<u>86,056,594</u>	<u>57,050,623</u>	<u>143,107,217</u>	<u>272,865</u>	<u>144,058</u>
<u>\$86,908,408</u>	<u>\$57,776,671</u>	<u>\$144,685,079</u>	<u>\$271,185</u>	<u>\$186,323</u>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2022

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
ASSETS			
Cash and cash equivalents	\$3,091,270	\$310,139	\$38,757
Restricted cash - customer deposits	17,634		
Investments	7,020,036	600,000	
Receivables:			
Taxes	168,894	1,884	
Special assessments			
Notes and contracts	11,000		2,560,000
Leases	231,265	2,539,687	
Intergovernmental	70,162	108,269	
Other	163,806	2,968	127
Due from other funds	50,026	9,000	
Inventories	128,838		
Prepaid items	30,771		
Property held for resale	29,983	3,738,106	
	<u>\$11,013,685</u>	<u>\$7,310,053</u>	<u>\$2,598,884</u>
LIABILITIES			
Accounts payable	\$288,616	\$10,839	
Accrued salaries payable	156,639	1,538	
Retainage payable			
Intergovernmental payable	121,435		
Due to other funds	516,872	1,325,455	
Advances from other funds	47,381		
Interest payable	713		
Unearned revenue	831,120	2,051	200
Customer deposits	17,634		
	<u>\$1,980,410</u>	<u>\$1,339,883</u>	<u>\$200</u>
DEFERRED INFLOWS OF RESOURCES			
Revenue for subsequent years	\$5,000		
Unavailable revenue - property tax	112,418	1,337	
Unavailable revenue - special assessments			
Unavailable revenue - long-term contract receivable			2,560,000
Unavailable revenue - leases receivable	231,265	\$2,539,687	
	<u>\$348,683</u>	<u>\$2,541,024</u>	<u>\$2,560,000</u>
FUND BALANCES			
Nonspendable	\$159,609		
Restricted	1,127,060	548,451	38,684
Committed			
Assigned	1,519,680	2,880,695	
Unassigned	5,878,243		
	<u>\$8,684,592</u>	<u>\$3,429,146</u>	<u>\$38,684</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$11,013,685</u>	<u>\$7,310,053</u>	<u>\$2,598,884</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$3,117,945	\$6,558,111
	18,670	36,304
	1,900,000	9,520,036
6,060	44,436	221,274
5,465,908		5,465,908
	2,088,392	4,659,392
		2,770,952
4,404,752	234,873	4,818,056
35,625	734,596	937,122
2,181,489	3,082	2,243,597
	5,876	134,714
	4,798	35,569
		3,768,089
<u>\$12,093,834</u>	<u>\$8,152,668</u>	<u>\$41,169,124</u>
\$554,596	\$43,433	\$897,484
850	14,899	173,926
467,091	3,142	470,233
382		121,817
2,298,324	1,059	4,141,710
		47,381
7,465		8,178
273,445	5,301	1,112,117
	18,670	36,304
<u>\$3,602,153</u>	<u>\$86,504</u>	<u>\$7,009,150</u>
\$1,266,756		\$1,271,756
4,238	31,609	149,602
5,463,335		5,463,335
		2,560,000
		2,770,952
<u>\$6,734,329</u>	<u>\$31,609</u>	<u>\$12,215,645</u>
	\$24,975	\$184,584
606,412	4,955,004	7,275,611
	514,826	514,826
1,150,940	2,539,750	8,091,065
		5,878,243
<u>\$1,757,352</u>	<u>\$8,034,555</u>	<u>\$21,944,329</u>
<u>\$12,093,834</u>	<u>\$8,152,668</u>	<u>\$41,169,124</u>

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CITY OF FERGUS FALLS, MINNESOTA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position - Governmental Activities
As of December 31, 2022

Total fund balance - governmental funds	\$21,944,329
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 governmental funds.	
Cost of capital assets	134,703,690
Less: Accumulated depreciation	(60,888,474)
Leased assets	139,287
Less: Accumulated amortization	(24,854)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
General obligation bonds	(11,259,547)
Permanent improvement revolving fund bonds	(1,585,000)
Lease liability	(115,909)
Intergovernmental	(36,447)
Compensated absences - benefits owed	(1,419,682)
Bond premiums are reported as a liability within the statement of net position and are reported as an other financing source in the year the debt is issued within the governmental funds.	
	(753,466)
Internal service funds are used by management to charge the costs of fleet management and employee health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	2,692,805
The consolidation of the internal service funds with the governmental activities resulted in an internal balance to business-type activities.	
	1,128
Delinquent property taxes receivable will be collected in future years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	149,602
Deferred and delinquent special assessment receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
	5,463,335
Resources generated as a result of a long-term note receivable are not available to pay for the current expenditures and, therefore, are deferred in the funds.	
	2,560,000
Governmental funds do not report a liability for a total OPEB liability.	
	(573,067)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	(59,190)
The City's allocation of the net pension liability for MN PERA is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	
	(11,916,515)
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	
	1,840,166
Deferred outflows of resources related to pensions are not reported in the funds.	
	6,956,178
Deferred outflows of resources related to the OPEB liability are not reported in the funds.	
	63,565
Deferred inflows of resources related to pensions are not reported in the funds.	
	(860,098)
Deferred inflows of resources related to the OPEB liability are not reported in the funds.	
	(113,428)
Total net position - governmental activities	\$86,908,408

CITY OF FERGUS FALLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	<u>General</u>	<u>Special Revenue Port Authority</u>	<u>Debt Service G.O. Port Authority 2019A</u>
REVENUES			
Taxes	\$5,537,876	\$59,971	
Special assessments			
Licenses and permits	333,921		
Intergovernmental	5,184,737	1,830	
Charges for services	1,133,989		
Fines and forfeits	67,562		
Contributions	227,133		
Investment earnings	(507,990)	(58,775)	(3,529)
Other interest income	2,352		
Rent	82,135	230,030	141,450
Other	75,125		
	<u>\$12,136,840</u>	<u>\$233,056</u>	<u>\$137,921</u>
EXPENDITURES			
Current:			
General government	\$2,363,398		
Public safety	5,127,677		
Streets and highways	2,980,436		
Sanitation	47,950		
Airport	255,439		
Culture and recreation	2,127,417		
Community development	324,700		
Economic development	65,890	206,796	
Debt service:			
Principal	16,108		60,000
Interest	2,493		81,450
Other			495
Capital outlay	<u>1,166,750</u>	<u>31,988</u>	
	<u>\$14,478,258</u>	<u>\$238,784</u>	<u>\$141,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$2,341,418)</u>	<u>(\$5,728)</u>	<u>(\$4,024)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$1,732,627		
Transfers (out)	(895,623)	(17,468)	
General obligation bonds issued		83,318	
Premium on general obligation bonds issued			
	<u>\$837,004</u>	<u>\$65,850</u>	
Net change in fund balances	(\$1,504,414)	\$60,122	(\$4,024)
Fund balances - beginning	10,173,173	3,369,024	42,708
Prior period adjustment	<u>15,833</u>		
Fund balances - beginning, as restated	<u>10,189,006</u>	<u>3,369,024</u>	<u>42,708</u>
Fund balances - ending	<u>\$8,684,592</u>	<u>\$3,429,146</u>	<u>\$38,684</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects Operations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$194,982	\$3,010,221	\$8,803,050
252,146		252,146
		333,921
1,501,165	205,606	6,893,338
	103,509	1,237,498
	3,593	71,155
394,833	25,555	647,521
180,915	(359,008)	(748,387)
51,290	58,597	112,239
	66,107	519,722
6,983	11,286	93,394
<u>\$2,582,314</u>	<u>\$3,125,466</u>	<u>\$18,215,597</u>
		\$2,363,398
		5,127,677
84,177		3,064,613
		47,950
	25,666	281,105
9,770	1,170,167	3,307,354
	55,049	379,749
72,807	393,372	738,865
	1,876,476	1,952,584
	278,328	362,271
	1,996	2,491
<u>4,732,883</u>	<u>519,314</u>	<u>6,450,935</u>
<u>\$4,899,637</u>	<u>\$4,320,368</u>	<u>\$24,078,992</u>
<u>(\$2,317,323)</u>	<u>(\$1,194,902)</u>	<u>(\$5,863,395)</u>
\$569,428	\$825,238	\$3,127,293
(442,420)	(10,959)	(1,366,470)
1,520,920	149,080	1,753,318
26,275		26,275
<u>\$1,674,203</u>	<u>\$963,359</u>	<u>\$3,540,416</u>
(\$643,120)	(\$231,543)	(\$2,322,979)
2,400,472	8,266,098	24,251,475
		15,833
<u>2,400,472</u>	<u>8,266,098</u>	<u>24,267,308</u>
<u>\$1,757,352</u>	<u>\$8,034,555</u>	<u>\$21,944,329</u>

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CITY OF FERGUS FALLS, MINNESOTA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities
For the Year Ended December 31, 2022

Total net change in fund balance - governmental funds	(\$2,322,979)
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	5,173,367
Depreciation/amortization expense	(3,198,553)
Net effect of various transactions involving capital assets	(26,407)
Certain revenues reported in the funds were recognized in prior years and are not reported as revenue in the statement of activities (special assessments).	1,416,953
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.	(72,288)
Principal payments on long-term debt are recognized as expenditures in the governmental funds, but as an increase in net position in the statement of activities.	1,952,584
Proceeds from long-term debt are recognized as other financing sources in the governmental funds but as a decrease in net position in the statement of activities.	(1,753,318)
Governmental funds report the effect of bond premiums when debt is first issued as an other financing source, whereas these amounts are amortized in the statement of activities.	119,183
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.	(27,757)
Delinquent property taxes receivable will be collected in future years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	28,931
The costs associated with the postemployment healthcare plan are recognized as paid in the governmental funds, but recognized as the expense is incurred in the statement of activities.	(21,157)
Net pension expense and State funding related to the City's allocation of the net pension liability is not included within the funds, but is recognized in the statement of activities.	(153,863)
Internal service fund activity.	<u>(262,882)</u>
Change in net position - governmental activities	<u><u>\$851,814</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$5,500,900	\$5,500,900	\$5,537,876	\$36,976
Licenses and permits	205,010	205,010	333,921	128,911
Intergovernmental	4,438,402	4,446,254	5,184,737	738,483
Charges for services	965,726	965,726	1,133,989	168,263
Fines and forfeits	63,100	70,602	67,562	(3,040)
Contributions	5,000	211,400	227,133	15,733
Investment earnings	200,000	200,000	(507,990)	(707,990)
Other interest income	2,200	2,200	2,352	152
Rent	66,000	66,000	82,135	16,135
Other	50,000	50,000	75,125	25,125
	<u>\$11,496,338</u>	<u>\$11,718,092</u>	<u>\$12,136,840</u>	<u>\$418,748</u>
EXPENDITURES				
General government	\$2,366,449	\$2,636,869	\$2,363,398	(\$273,471)
Public safety	5,095,892	5,181,156	5,127,677	(53,479)
Streets and highways	2,813,171	3,210,520	2,980,436	(230,084)
Sanitation	52,872	52,872	47,950	(4,922)
Airport	223,930	223,930	255,439	31,509
Culture and recreation	1,910,516	1,949,735	2,127,417	177,682
Community development	289,260	289,260	324,700	35,440
Economic development	50,082	50,082	65,890	15,808
Debt service:				
Principal	16,108	16,108	16,108	
Interest	2,630	2,630	2,493	(137)
Capital outlay	454,361	2,050,332	1,166,750	(883,582)
	<u>\$13,275,271</u>	<u>\$15,663,494</u>	<u>\$14,478,258</u>	<u>(\$1,185,236)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,778,933)</u>	<u>(\$3,945,402)</u>	<u>(\$2,341,418)</u>	<u>\$1,603,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,651,933	\$1,731,533	\$1,732,627	\$1,094
Transfers (out)	(107,565)	(307,583)	(895,623)	(588,040)
	<u>\$1,544,368</u>	<u>\$1,423,950</u>	<u>\$837,004</u>	<u>(\$586,946)</u>
Net change in fund balances	<u>(\$234,565)</u>	<u>(\$2,521,452)</u>	<u>(\$1,504,414)</u>	<u>\$1,017,038</u>
Fund balance - beginning			10,173,173	
Prior period adjustment			<u>15,833</u>	
Fund balance - beginning, as restated			<u>10,189,006</u>	
Fund balance - ending			<u>\$8,684,592</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Port Authority Special Revenue Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$61,000	\$59,897	(\$1,103)
Mobile home tax	75	74	(1)
Total taxes	\$61,075	\$59,971	(\$1,104)
Intergovernmental	10	1,830	1,820
Investment earnings	12,500	(58,775)	(71,275)
Rent	236,825	230,030	(6,795)
Total revenues	\$310,410	\$233,056	(\$77,354)
EXPENDITURES			
Current:			
Economic development	\$309,551	\$206,796	(\$102,755)
Capital outlay		31,988	31,988
Total expenditures	\$309,551	\$238,784	(\$70,767)
Excess (deficiency) of revenues over (under) expenditures	\$859	(\$5,728)	(\$6,587)
OTHER FINANCING SOURCES (USES)			
Transfers out	(\$22,512)	(\$17,468)	\$5,044
General obligation bonds issued		83,318	83,318
Total other financing sources and (uses)	(\$22,512)	\$65,850	\$88,362
Net change in fund balances	(\$21,653)	\$60,122	\$81,775
Fund balance - beginning		3,369,024	
Fund balance - ending		\$3,429,146	

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
ASSETS		
Current assets:		
Cash and cash equivalents	\$993,164	\$314,237
Investments	800,000	900,000
Receivables:		
Interest	15,132	3,940
Accounts Intergovernmental	345,369	
Other	937	78
Due from other funds	5,046	
Advances to Other Funds		
Inventories		1,496,400
Prepaid items	92,406	
	<u>\$2,252,054</u>	<u>\$2,714,655</u>
Total current assets		
Noncurrent assets:		
Restricted assets:		
Financial assurance held for landfill closure/postclosure:		
Cash and cash equivalents	\$348,232	
Investments	2,500,000	
	<u>\$2,848,232</u>	
Total restricted assets		
Capital assets:		
Land	\$83,108	\$304,982
Buildings and systems	871,925	1,694,971
Improvements other than buildings	3,042,338	
Machinery and equipment	536,460	327,537
Construction in progress		
Less accumulated depreciation	(1,908,364)	(1,313,388)
Total capital assets (net of accumulated depreciation)	<u>\$2,625,467</u>	<u>\$1,014,102</u>
Total noncurrent assets	<u>\$5,473,699</u>	<u>\$1,014,102</u>
Total assets	<u>\$7,725,753</u>	<u>\$3,728,757</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	\$4,597	\$2,049
Pensions	219,029	204,951
	<u>\$223,626</u>	<u>\$207,000</u>
Total deferred outflows of resources		

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$2,396,823	\$1,917,330	\$366,268	\$5,987,822	\$680,318
6,000,000	4,500,000	1,600,000	13,800,000	1,600,000
34,845	20,925	6,412	81,254	8,237
173,307	194,120	57,473	770,269	
1,116	37,857		38,973	2,940
10,641	1,155		12,811	17,335
2,296,032		8,744	2,309,822	8,553
				47,381
46,929	69,454		1,612,783	282,843
			92,406	3,073
\$10,959,693	\$6,740,841	\$2,038,897	\$24,706,140	\$2,650,680
			\$348,232	
			2,500,000	
			\$2,848,232	
\$8,709	\$100,608	\$68,533	\$565,940	\$4,350
14,388,861	4,212,429		21,168,186	506,103
19,992,282	21,863,720	11,102,334	56,000,674	
1,181,432	1,293,761		3,339,190	10,334,493
689,165	585,349	348,837	1,623,351	
(24,122,961)	(13,290,716)	(5,355,417)	(45,990,846)	(8,056,641)
\$12,137,488	\$14,765,151	\$6,164,287	\$36,706,495	\$2,788,305
\$12,137,488	\$14,765,151	\$6,164,287	\$39,554,727	\$2,788,305
\$23,097,181	\$21,505,992	\$8,203,184	\$64,260,867	\$5,438,985
\$4,736	\$6,412	\$62	\$17,856	
143,144	152,106	25,548	744,778	96,263
\$147,880	\$158,518	\$25,610	\$762,634	\$96,263

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
LIABILITIES		
Current liabilities:		
Accounts payable	\$26,259	\$258,085
Accrued salaries payable	15,950	17,485
Compensated absences	68,511	31,063
Intergovernmental payable	112,349	10
Due to other funds	68,625	9,826
Revenue bonds payable	125,000	
Interest payable	4,289	
Unearned revenue		10,255
Estimated liability for landfill closure/postclosure	50,000	
Total current liabilities	\$470,983	\$326,724
Noncurrent liabilities:		
Revenue bonds payable, net of premiums	\$1,691,789	
Compensated absences	32,727	16,520
Total OPEB liability	41,441	18,472
Net pension liability	723,145	676,664
Estimated liability for landfill closure/postclosure	732,338	
Total noncurrent liabilities	\$3,221,440	\$711,656
Total liabilities	\$3,692,423	\$1,038,380
DEFERRED INFLOWS OF RESOURCES		
OPEB	\$8,202	\$3,656
Pensions	25,139	23,523
Total deferred inflows of resources	\$33,341	\$27,179
NET POSITION		
Net investment in capital assets	\$808,678	\$1,014,102
Restricted for:		
Landfill closure/postclosure	2,065,894	
Unrestricted	1,349,043	1,856,096
Total net position	\$4,223,615	\$2,870,198

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net position of business-type activities

The notes to the financial statements are an integral part of this statement.

(Continued)

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$52,568	\$39,654	\$8,026	\$384,592	\$72,535
14,004	47,927	1,054	96,420	6,762
44,195	54,506		198,275	13,742
			112,359	1,148
118,421	103,356	119,516	419,744	518
	230,000	35,000	390,000	
	23,481	9,328	37,098	
	1,080		11,335	2,660
			50,000	
<u>\$229,188</u>	<u>\$500,004</u>	<u>\$172,924</u>	<u>\$1,699,823</u>	<u>\$97,365</u>
	\$1,969,967	\$613,332	\$4,275,088	
64,203	93,787		207,237	10,154
42,699	57,804	563	160,979	
472,603	502,191	84,349	2,458,952	317,819
			732,338	
<u>\$579,505</u>	<u>\$2,623,749</u>	<u>\$698,244</u>	<u>\$7,834,594</u>	<u>\$327,973</u>
<u>\$808,693</u>	<u>\$3,123,753</u>	<u>\$871,168</u>	<u>\$9,534,417</u>	<u>\$425,338</u>
\$8,451	\$11,441	\$111	\$31,861	
16,429	17,458	2,932	85,481	11,048
<u>\$24,880</u>	<u>\$28,899</u>	<u>\$3,043</u>	<u>\$117,342</u>	<u>\$11,048</u>
\$12,120,199	\$12,565,184	\$5,515,955	\$32,024,118	\$2,788,305
			2,065,894	
10,291,289	5,946,674	1,838,628	21,281,730	2,310,557
<u>\$22,411,488</u>	<u>\$18,511,858</u>	<u>\$7,354,583</u>	<u>\$55,371,742</u>	<u>\$5,098,862</u>
			<u>2,404,929</u>	
			<u>\$57,776,671</u>	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
OPERATING REVENUES AND GROSS PROFIT		
Sales and charges for services	\$3,844,327	\$7,310,030
Cost of sales		(4,976,220)
	<u>\$3,844,327</u>	<u>\$2,333,810</u>
OPERATING EXPENSES		
Personal service	\$694,398	\$673,184
Employee benefits	314,874	258,962
Supplies	88,290	29,183
Utilities	34,555	62,993
Other	1,881,126	253,827
Depreciation	189,820	40,948
	<u>\$3,203,063</u>	<u>\$1,319,097</u>
Total operating expenses		
	<u>\$641,264</u>	<u>\$1,014,713</u>
Operating income (loss)		
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	(\$298,634)	(\$66,660)
Other interest income		
Rent		4,296
Other income	3,167	6,165
Gain on disposal of capital assets		
Interest expense	(39,108)	
	<u>(\$334,575)</u>	<u>(\$56,199)</u>
Total nonoperating revenues (expenses)		
	<u>\$306,689</u>	<u>\$958,514</u>
Income before contributions and transfers		
Capital contributions		
Transfers in		
Transfers (out)	(265,722)	(675,189)
	<u>\$40,967</u>	<u>\$283,325</u>
Change in net position		
Total net position - beginning	<u>\$4,182,648</u>	<u>\$2,586,873</u>
Total net position - ending	<u>\$4,223,615</u>	<u>\$2,870,198</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Change in net position of business-type activities		

The notes to the financial statements are an integral part of this statement.

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$2,245,650	\$2,788,643	\$647,337	\$16,835,987 (4,976,220)	\$4,282,461
<u>\$2,245,650</u>	<u>\$2,788,643</u>	<u>\$647,337</u>	<u>\$11,859,767</u>	<u>\$4,282,461</u>
\$460,321	\$521,358	\$88,212	\$2,437,473	\$306,954
192,075	181,219	33,729	980,859	137,287
155,837	335,136	6,712	615,158	740,493
164,588	103,969	2,811	368,916	55,787
412,973	260,558	181,341	2,989,825	2,262,330
587,030	542,766	188,461	1,549,025	783,165
<u>\$1,972,824</u>	<u>\$1,945,006</u>	<u>\$501,266</u>	<u>\$8,941,256</u>	<u>\$4,286,016</u>
<u>\$272,826</u>	<u>\$843,637</u>	<u>\$146,071</u>	<u>\$2,918,511</u>	<u>(\$3,555)</u>
(\$698,589)	(\$404,388)	(\$124,265)	(\$1,592,536)	(\$136,528)
	495		495	
	2,935		7,231	
2,070	2,280	369	14,051	11,428
		473	473	32,810
	<u>(43,955)</u>	<u>(17,685)</u>	<u>(100,748)</u>	
<u>(\$696,519)</u>	<u>(\$442,633)</u>	<u>(\$141,108)</u>	<u>(\$1,671,034)</u>	<u>(\$92,290)</u>
(\$423,693)	\$401,004	\$4,963	\$1,247,477	(\$95,845)
348,016	489,008	268,143	1,105,167	
				1,320
<u>(295,200)</u>	<u>(286,056)</u>	<u>(103,301)</u>	<u>(1,625,468)</u>	<u>(136,675)</u>
(\$370,877)	\$603,956	\$169,805	\$727,176	(\$231,200)
<u>\$22,782,365</u>	<u>\$17,907,902</u>	<u>\$7,184,778</u>	<u>\$54,644,566</u>	<u>\$5,330,062</u>
<u>\$22,411,488</u>	<u>\$18,511,858</u>	<u>\$7,354,583</u>	<u>\$55,371,742</u>	<u>\$5,098,862</u>
			<u>(1,128)</u>	
			<u>\$726,048</u>	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$3,866,008	\$7,310,136
Payments from interfund services provided		
Payments to suppliers	(133,680)	(5,431,129)
Payments to employees	(827,215)	(790,566)
Payments for interfund services used	(677,135)	(114,774)
Other income	3,167	10,461
Other expenses	(1,417,472)	(253,817)
	\$813,673	\$730,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		
Transfers to other funds	(265,722)	(673,626)
Advances to other funds		
Amount loaned for cash deficit		
Net cash provided (used) by noncapital financing activities	(\$265,722)	(\$673,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of capital assets		
Purchase of capital assets		
Repayment of due to other funds	(1,935)	
Principal paid on capital debt	(115,000)	
Interest paid on capital debt	(55,813)	
Net cash provided (used) by capital and related financing activities	(\$172,748)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		
Purchase of investments	(552,184)	(341,211)
Interest and dividends received	99,557	23,584
Other interest		
Net cash provided (used) by investing activities	(\$452,627)	(\$317,627)
Net increase (decrease) in cash and cash equivalents	(\$77,424)	(\$260,942)
Cash and cash equivalents, January 1 (including \$541,388 reported in the restricted accounts)	1,418,820	575,179
Cash and cash equivalents, December 31 (including \$348,232 reported in the restricted accounts)	\$1,341,396	\$314,237

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$2,271,927	\$2,772,118	\$661,048	\$16,881,237	4,276,077
(292,029)	(423,277)	(1,653)	(6,281,768)	(825,185)
(543,305)	(599,955)	(99,626)	(2,860,667)	(358,269)
(259,024)	(146,081)	(136,951)	(1,333,965)	(79,944)
2,070	5,215	369	21,282	11,428
(271,493)	(206,997)	(49,436)	(2,199,215)	(1,992,454)
<u>\$908,146</u>	<u>\$1,401,023</u>	<u>\$373,751</u>	<u>\$4,226,904</u>	<u>\$1,031,653</u>
				\$1,320
(295,200)	(286,056)	(103,301)	(1,623,905)	(136,675)
				10,995
<u>306,201</u>			<u>306,201</u>	
<u>\$11,001</u>	<u>(\$286,056)</u>	<u>(\$103,301)</u>	<u>(\$1,317,704)</u>	<u>(\$124,360)</u>
		\$473	\$473	32,812
(79,457)	(108,439)		(187,896)	(728,923)
(193,153)	(546,482)	(132,604)	(874,174)	
	(225,000)	(35,000)	(375,000)	
	(79,550)	(23,275)	(158,638)	
<u>(\$272,610)</u>	<u>(\$959,471)</u>	<u>(\$190,406)</u>	<u>(\$1,595,235)</u>	<u>(\$696,111)</u>
\$1,063,319	\$455,890		\$1,519,209	
		(267,358)	(1,160,753)	(284,379)
230,198	135,090	41,601	530,030	45,826
	495		495	
<u>\$1,293,517</u>	<u>\$591,475</u>	<u>(\$225,757)</u>	<u>\$888,981</u>	<u>(\$238,553)</u>
\$1,940,054	\$746,971	(\$145,713)	\$2,202,946	(\$27,371)
456,769	1,170,359	511,981	4,133,108	707,689
<u>\$2,396,823</u>	<u>\$1,917,330</u>	<u>\$366,268</u>	<u>\$6,336,054</u>	<u>\$680,318</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities- Enterprise Funds	
	Waste Management	Liquor Store
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$641,264	\$1,014,713
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$189,820	\$40,948
(Increase) decrease in accounts receivable	(9,002)	
(Increase) decrease in miscellaneous receivable	(52)	26
(Increase) decrease in intergovernmental receivable		
(Increase) decrease in due from other funds	30,735	
(Increase) decrease in inventories		(269,184)
(Increase) decrease in prepaid items	23,101	
(Increase) decrease in deferred outflows	63,713	43,908
Increase (decrease) in accounts payable	(10,771)	(92,345)
Increase (decrease) in accrued salaries payable	1,824	966
Increase (decrease) in compensated absences payable	8,246	5,222
Increase (decrease) in intergovernmental payable	610	10
Increase (decrease) in total OPEB liability	2,597	1,666
Increase (decrease) in net pension liability	310,512	312,417
Increase (decrease) in estimated liability for landfill closure/postclosure	(101,485)	
Increase (decrease) in due to other funds	43,858	(1,230)
Increase (decrease) in unearned revenues		106
Increase (decrease) in deferred inflows	(384,464)	(337,373)
Other income	3,167	10,461
Total adjustments	\$172,409	(\$284,402)
Net cash provided (used) by operating activities	\$813,673	\$730,311
Noncash investing, capital and financing activities:		
Amortization of bond premium	\$16,447	
Amortization of demo cell permit cost	(23,101)	
Capital asset disposals		
Capital contributions financed through other funds		
Change in fair value of investments	(402,184)	(91,211)
Acquisition of property and equipment financed through due to other funds		

The notes to the financial statements are an integral part of this statement.

(Continued)

Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
Sewage Disposal	Water Department	Storm Water	Totals	
\$272,826	\$843,637	\$146,071	\$2,918,511	(\$3,555)
\$587,030	\$542,766	\$188,461	\$1,549,025	\$783,165
6,271	11,616	6,505	15,390	
2,876	8,247		11,097	259,485
4,388	3,906		8,294	(2,940)
12,765		7,206	50,706	(8,282)
(2,436)	(499)		(272,119)	(32,253)
			23,101	98
43,704	41,587	(1,864)	191,048	16,766
31,154	16,352	7,870	(47,740)	5,848
2,936	37,815	814	44,355	695
448	(19,976)		(6,060)	2,695
			620	(2,223)
(751)	(9,145)	153	(5,480)	
201,509	223,994	49,605	1,098,037	151,994
			(101,485)	
(2,663)	(41,752)		(1,787)	(115)
	(20)		86	1,898
(253,981)	(262,720)	(31,439)	(1,269,977)	(153,051)
2,070	5,215	369	21,282	11,428
\$635,320	\$557,386	\$227,680	\$1,308,393	\$1,035,208
\$908,146	\$1,401,023	\$373,751	\$4,226,904	\$1,031,653
	\$33,572	\$4,861	\$54,880	
			(23,101)	
				(311,424)
348,016	489,008	268,143	1,105,167	
(936,681)	(544,110)	(167,358)	(2,141,544)	(184,379)
113,514	75,726	119,516	308,756	

CITY OF FERGUS FALLS, MINNESOTA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$368,925
Interest receivable	1,203
Total assets	\$370,128
FIDUCIARY NET POSITION	
Restricted for:	
Other organizations	\$370,128
Total fiduciary net position	\$370,128

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds
ADDITIONS	
Insurance escrow proceeds	\$2,484
Investment earnings	(24,781)
Total additions	(\$22,297)
DEDUCTIONS	
Public safety	\$19,460
Economic development	1,948
Total deductions	\$21,408
Change in fiduciary net position	(\$43,705)
Fiduciary net position - beginning	429,666
Prior period adjustment	(15,833)
Fiduciary net position - beginning, as restated	413,833
Fiduciary net position - ending	\$370,128

The notes to the financial statements are an integral part of this statement.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fergus Falls was organized as a municipal corporation in 1872 and is a home rule charter city under Minnesota Statutes. The City operates under a Mayor-Council form of government.

The financial statements of the City of Fergus Falls have been prepared in conformity with United States Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting entity

The financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit.

Reported as if it was part of the City.

Discretely Presented Component Units.

Entails reporting the component unit financial data in columns separate from the financial data of the City.

Related Organization.

The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting entity (Continued)

Blended Component Unit.

The Fergus Falls Port Authority is governed by a seven-member commission appointed by the Mayor with approval and consent of the Council. Even though the Fergus Falls Port Authority is legally separate, it is reported as if it were part of the City because four commissioners (a voting majority) are also members of the City Council. The operations of the Fergus Falls Port Authority are managed by the City of Fergus Falls. The Executive Director, Treasurer, and Recording Secretary are employees of the City. All funds of the Fergus Falls Port Authority are comingled, managed, and invested with the funds of the City of Fergus Falls according to the City's Investment Policy. In addition, a portion of the Fergus Falls Port Authority's debt is expected to be repaid by the City of Fergus Falls. The Fergus Falls Port Authority is, accordingly, reported as a blended component unit of the primary government; no separately issued financial statements are prepared.

Discretely Presented Component Unit.

PEG Access is a separate nonprofit corporation established for the purpose of assisting the City of Fergus Falls in providing Public, Educational, and Governmental (PEG) access cable television programming. PEG Access is reported in a separate column to emphasize that it is legally separate from the City and is governed by a separate board. The City provides significant funding to PEG Access through the City's collection of a franchise fee through the local cable service bills. The City Council has ultimate control over the PEG Access budget through the ability to adjust the franchise fee and funding level to PEG Access.

Financial information in the form of accounting records for PEG Access is available at City Hall located at 112 West Washington Avenue, Fergus Falls, Minnesota. These accounting records are audited as part of the audit of the basic financial statements. Separate financial statements have not been issued.

The Fergus Falls Convention and Visitor's Bureau, Inc. (DBA Visit Fergus Falls) is a separate nonprofit corporation established with the purpose of marketing and promoting tourism in the City. The Fergus Falls Convention and Visitor's Bureau, Inc. is reported in a separate column to emphasize that it is legally separate from the City and is governed by a separate board. The City provides significant funding to the Fergus Falls Convention and Visitor's Bureau, Inc. through the City's collection of a municipal lodging tax. The City Council has ultimate control over the Fergus Falls Convention and Visitor's Bureau, Inc. budget through the control of the municipal lodging tax and funding level to the Fergus Falls Convention and Visitor's Bureau, Inc.

Financial information in the form of accounting records for the Fergus Falls Convention and Visitor's Bureau (DBA Visit Fergus Falls) is available at City Hall located at 112 West Washington Avenue, Fergus Falls, Minnesota. These accounting records are audited as part of the audit of the basic financial statements. Separate financial statements have not been issued.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting entity (Continued)

There are no other component units of the City of Fergus Falls requiring either blended or discrete presentation.

Related Organization.

The City Council is also responsible for appointing the members of the governing board of the Fergus Falls Housing and Redevelopment Authority, but the City's accountability does not extend beyond making the appointments. The Housing and Redevelopment Authority has no significant operational or financial relationship with the City.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 who 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. Internally dedicated revenues are reported as general revenues rather than program 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.

The Custodial Funds are presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (nonprofit corporations, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide 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 and fiduciary fund financial

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 City considers revenues to be available if they are collected within 60 days of the end of the fiscal period. The City considers revenues to be available for the capital projects funds based on the cycle of the project. 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, other taxes, franchise fees, intergovernmental revenue 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 City.

Major governmental funds:

The General fund is the City'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 Port Authority special revenue fund accounts for property taxes, intergovernmental revenues, and the collection of lease revenues used to operate and maintain Port Authority assets and further economic and community development within the City.

The G.O. Port Authority 2019A debt service fund accounts for the collection of lease revenues and payments made for principal and interest on the General Obligation Port Authority Bonds, Series 2019A.

The Operations capital projects fund is used to account for the construction of capital facilities, utility systems, street improvements, and sidewalks in the City. Bond proceeds, special assessments, property tax levies, and various grants are used to finance these improvements.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Major proprietary funds:

The Waste Management fund accounts for the resources and expenses related to the operation of a refuse and recycling collection and disposal system.

The Liquor Store fund accounts for the resources and expenses related to the operation of City-owned municipal liquor stores.

The Sewage Disposal fund accounts for the activities related to the operation of a sanitary sewer collection and treatment system.

The Water Department fund accounts for the activities related to the operation of a water purification and distribution system.

The Storm Water fund accounts for activities related to the operation of a surface water collection system.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Public Library fund was established to account for the operation and maintenance of the City-owned library. The Revolving Loan fund accounts for intergovernmental grants and principal and interest revenue for various loan programs. The funds are available for economic and community development purposes. Other special revenue funds are utilized as needed to account for the expenditure of specific revenue sources.

Debt service funds are used to account for the payment of general long-term principal and interest for general obligation bonds and general obligation equipment certificates. Revenues for these debt service payments are acquired through the City's general property tax levy and transfers from capital projects funds.

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The Operations capital projects fund is used to account for the construction of sewer and water main extensions, storm sewers, street improvements, sidewalks and various other capital improvements in the City. Bond proceeds, special assessments, annual property tax levy, and various grant monies are used to finance these improvements. The Airport Capital Improvement capital projects fund is used to account for construction of runways, aprons, taxiways, and airport hangars of the Municipal Airport. Federal and State grant monies and an annual property tax levy are used to finance these projects.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Permanent funds are used to report resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that support the City's programs, that is, for the benefit of the City or its citizenry.

Custodial funds are fiduciary funds where the City accounts for funds held in a strictly custodial capacity. The City receives resources, invests those resources temporarily, and remits the fiduciary resources to other organizations or individuals. The Business Development for Fergus Falls custodial fund accounts for resources of a nonprofit corporation related to economic development. The Insurance Escrow custodial fund accounts for fire damage insurance proceeds received on behalf of property owners within the City. A portion of insurance proceeds are held by the City until the property owner completes appropriate property improvements.

Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis. The Equipment fund is used to account for the purchase and maintenance of heavy equipment, light-duty trucks, and passenger vehicles used in the daily operations of the City. The Employee Insurance fund is used to account for the accumulation of revenues and expenses associated with health insurance activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are utility charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned.

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. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by State law. Earnings from the pooled investments are allocated to the individual funds based on the month-end cash and investment balances.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

1. Deposits and investments (Continued)

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota State Statute 118A outlines authorized investments, which include obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, general obligations of a state or local government with taxing powers which are rated A or better, revenue obligations of a state or local government with taxing powers which are rated AA or better, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, commercial paper of the highest quality with a maturity of no longer than 270 days, and in the Minnesota Municipal Money Market Fund (4M Fund).

Certain investments of the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the 4M Fund securities are valued at amortized cost, which approximates fair value. There are no limitations or restrictions on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

Definitions of the risks related to deposits and investments are as follows:

Custodial credit risk – deposits: In the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains a policy stating that all short-term operating funds be invested in accounts permissible for municipalities as defined by Minnesota State Statute. Those statutes require deposits be covered by Federal Depository Insurance (FDIC) or in the event that additional coverage is needed, by collateralized securities equal to 110 percent of deposits in excess of FDIC, held by the City or by its agent in the City's name. Authorized collateral includes the legal investments described above and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. The City may also obtain an irrevocable standby letter of credit from a Federal Home Loan Bank as collateral in an amount equal to the amount of excess deposit.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

1. Deposits and investments (Continued)

Custodial credit risk – investments: In the event of failure of the counterparty to a transaction, a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The City maintains an investment policy that states all funds be invested in a portfolio permissible for municipalities as defined by Minnesota State Statutes.

Credit risk: An issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows funds to be invested in a portfolio of permissible investments for municipalities as defined by Minnesota State Statutes. More specifically, the investment policy allows for investments in a general obligation of any state or local government rated A or better, a revenue obligation of a state or local government rated AA or better, and a general obligation of the Minnesota Housing Finance Agency rated A or better.

Concentration credit risk: Loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits the fixed income securities of a single issuer, issue, or asset pool, with the exception of U.S. Government and Agency securities to no more than ten percent of the fair value of the fixed income portfolio.

Interest Rate Risk: Changes in interest rates will adversely affect the fair value of an investment. The following table, from the City's investment policy, outlines the mix of long and short-term investments that should be maintained to avoid being highly sensitive to changes in interest rates.

<u>Asset Class</u>	<u>Target</u>
Intermediate to Long Term Fixed Income Securities	70%
Securitized Mortgages	30%
Total Fixed Income Securities	100%

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade (utility) and property tax receivables are shown at a gross amount, since both taxes and trade (utility) receivables are assessable to the property taxes and are collectible upon sale of the assessed property.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

2. Receivables and payables (Continued)

The City levies its general property tax for the subsequent year during the month of December and certifies its levy to the Otter Tail County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Any adjustments or abatements to either the current or any prior year levy are adjusted through the current year general property tax revenue. Otter Tail County is the collection agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The Otter Tail County Auditor prepares the list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted assets

Customer deposits and street restoration deposits are classified as restricted assets in the balance sheet. Cash and investments held in the Waste Management fund as financial assurance for landfill closure and postclosure costs are classified as restricted assets on the balance sheet.

5. Capital assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (internally generated computer software), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

5. Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Easements	40-60
Furniture and equipment	5
Vehicles	10
Streets and public infrastructure	40-60
Utility distribution systems	40-60

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two types of deferred outflows of resources as of December 31, 2022. The City presents deferred outflows of resources in the statements of net position for deferred outflows of resources related to pensions and OPEBs for various estimate differences that will be amortized and recognized over future years and pension and OPEB contributions made subsequent to the measurement date through the end of the year.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets 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 seven types of items that qualify for reporting in this category. The City reported revenue for subsequent years and unavailable revenue in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, long-term contract receivable, and leases receivable.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

6. Deferred outflows/inflows of resources (Continued)

The statement of net position reports deferred inflow of resources related to revenue for subsequent years, leases receivables, as well as pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, holiday, compensatory time, and sick leave benefits. Employees leaving the employment of the City are eligible to receive one-half of the accumulated sick leave balance to a maximum of 600 hours and all vacation, holiday, and compensatory time. Employees with accumulated sick leave hours in excess of 1,200 hours will also receive 10 percent of the excess hours to a maximum of 100 hours. The amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. 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 payments. Investments are reported at fair value.

9. 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, and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

10. Fund balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable fund balance – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation.

Committed fund balance – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by adoption of a resolution by the City Council, the highest level of decision making authority, and that remain binding unless removed or modified by a City Council resolution.

Assigned fund balance – These are amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General fund, that are not classified as nonspendable, restricted or committed. The City Council approved a fund balance policy on November 7, 2011 which delegated authority to assign and remove fund balance assignments to the City Finance Director.

Unassigned fund balance – These are residual amounts in the General fund not reported in any other classification. The General fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The City’s target unassigned General fund balance is to maintain 35-40 percent of the subsequent year’s budgeted General fund working capital expenditures.

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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net position or equity (Continued)

11. Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital assets. A reclassification of \$328,040 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statements when there are limitations on the use of assets through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds classified as the general fund and certain special revenue, debt service and capital projects funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, all department heads are required to submit to the Finance Director proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and the means of financing them.
2. The Finance Director, in turn, submits the proposed operating budgets to a tax levy committee composed of the Mayor, City Administrator, and members of the City Council appointed by the City Council.
3. The tax levy committee introduces the proposed budget as amended and adjusted by the committee to the full City Council for their consideration at the first City Council meeting held in September.
4. At the second City Council meeting held in September the tax levy committee requests adoption of the proposed budget as amended and adjusted by the City Council and certifies the proposed general property tax levy to the County Auditor according to Minnesota Statutes.
5. Public meetings are held to obtain taxpayer input.
6. On or before December 28, the final budget is legally enacted by City Council resolution and the final property tax levy is certified to the County Auditor.

The City Council establishes the level of budgetary control, which is legally adopted on a fund and department basis. Any changes in the budget must be within the revenues and reserves estimated as available by the City Finance Director and must be approved by an affirmative vote of the majority of the City Council. Department heads of the City may make budgetary transfers between line items within departmental budgets without City Council approval.

Budgets are formally adopted for the General fund; the Port Authority, Public Library, Bigwood Event Center, Revolving Loan, Tax Increment Districts and Tax Abatement special revenue funds; the G.O. Port Authority 2019A, Permanent Improvement Revolving, G.O. Capital Improvement 2010A, G.O. Capital Improvement 2012C, G.O. Sales Tax Revenue 2017A, G.O. Equipment Certificates 2020A, G.O. Port Authority 2020A, G.O. Port Authority 2020B, and G.O. Port

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary information (Continued)

Authority 2021A debt service funds; and the Operations and the Airport Capital Improvement capital projects funds.

Encumbrances are not used by the City. Budgeted expenditures lapse at year end with the exception of budgeted capital outlay and ice and snow removal expenditures in the General fund and certain special revenue funds. Unexpended budgets for capital outlay and ice and snow removal expenditures are reported as assigned fund balances.

Budget-to-actual statements are presented for the General fund and the Port Authority special revenue fund as part of the basic financial statements.

B. Expenditures in excess of appropriations

Expenditures exceeded appropriations in the following funds for the year ended December 31, 2022 as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Bigwood Event Center	\$354,202	\$596,636	\$242,434
Tax Increment Districts	160,716	313,392	152,676
Tax Abatement	92,565	99,787	7,222
Debt Service Funds:			
G.O. Sales Tax Revenue 2017A	1,197,395	1,216,103	18,708
G.O. Equipment Certificates 2020A	51,700	51,716	16
G.O. Port Authority 2021A	13,680	15,022	1,342

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota State Statutes. Each fund's portion of this pool is displayed in the financial statements as cash and cash equivalents and investments. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below:

The following amounts are classified as restricted assets in the statement of net position: Governmental Activity customer deposits of \$36,304 and Waste Management financial assurance of \$2,848,232. The various restricted assets are included in deposits and investments.

Deposits

Custodial credit risk - deposits: As of December 31, 2022, the City's bank balance of \$20,932 was not exposed to custodial credit risk as it was appropriately insured and collateralized.

Investments

Custodial credit risk - investments: The City's investments are classified as insured or registered, or securities held by the City or its agent in the City's name.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes its credit risk by investing primarily in U.S. government backed securities. In accordance with the City's investment policy, the taxable municipal general obligation bonds are rated A or higher and the taxable municipal revenue bonds are rated AA or higher. The U.S. Agencies that are not explicitly guaranteed by the U.S. Government are rated Aaa. At December 31, 2022, the City's investment of \$366,923 in the Principal Money Market Fund is rated AAA by Standard & Poor's.

As of December 31, 2022, the City had the following investments:

	Fair Value	Investment Maturities (in years)			
		<1	1-5	5-10	>10
U.S. Treasuries	\$5,761,141		\$5,414,102	\$347,039	
U.S. Agencies	17,030,899	22,976	2,288,240	4,392,603	10,327,080
Taxable Municipal - G.O. Bonds	3,857,418		962,044	2,495,097	400,277
Taxable Municipal - Revenue Bonds	770,578		123,582	588,284	58,712
Total	\$27,420,036	\$22,976	\$8,787,968	\$7,823,023	\$10,786,069

The City has an account with the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool. As of December 31, 2022, the 4M Fund balance of the account was \$14,035,008 with a carrying value of \$14,006,554. The 4M Fund is valued at amortized cost, which approximates fair value. The carrying value is reported in the brokered mutual fund money market accounts. The 4M Fund is invested in accordance with State statutes for municipalities.

The City has the following recurring fair value measurements as of December 31, 2022:

- Investments of \$5,256,138 are valued using quoted market prices (Level 1 inputs)
- Investments of \$22,033,561 are valued using a matrix pricing model (Level 2 inputs)
- Investments of \$130,337 are valued using unobservable inputs (Level 3 inputs)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (Continued)

Balance of cash and investments at December 31, 2022, is as follows:

Total investments	\$27,420,036
Brokered mutual fund money market accounts	14,373,477
Change funds	10,530
Total deposits	<u>17,500</u>
TOTAL CASH AND INVESTMENTS	<u>\$41,821,543</u>
(Including cash equivalents)	
Cash and investments - Primary Government	\$41,030,823
Cash and investments - Fiduciary Funds	368,925
Cash and temporary cash investments of component units	<u>421,795</u>
TOTAL CASH AND INVESTMENTS - Reporting Entity	<u>\$41,821,543</u>
(Including cash equivalents)	

Cash and investments are classified in the Statement of Net Position and the Statement of Fiduciary Net Position as of December 31, 2022, as follows:

Cash and cash equivalents - Primary Government	\$13,226,251
Cash and cash equivalents - PEG Access	258,549
Cash and cash equivalents - Fergus Falls Convention and Visitor's Bureau, Inc.	163,246
Cash and cash equivalents - Custodial Funds	368,925
Investments	24,920,036
Restricted assets - cash and cash equivalents	384,536
Restricted assets - investments	<u>2,500,000</u>
TOTAL CASH AND INVESTMENTS	<u>\$41,821,543</u>

B. Notes and contracts receivable

The City has recorded a long-term contract receivable for a building sold through a financed purchase agreement by the Fergus Falls Port Authority to Lakes Country Service Cooperative (LCSC) for the operation of a Level IV Special Education Facility. The Fergus Falls Port Authority issued \$2,765,000 General Obligation Bonds, Series 2019A to finance the facility. The agreement is for a term of thirty years commencing on July 1, 2019 and ending on June 30, 2049. The monthly payments are \$11,688 and are pledged to the payment of debt service on the bonds. The cost of the facility is \$2,813,644. The agreement is recorded as a finance sale and the carrying cost of \$2,637,791 was removed from the Governmental Activities capital assets as of January 1, 2022 in accordance with GASB Statement No. 87.

C. Leases receivable

As of December 31, 2022 the City had a leases receivable and deferred inflows of resources as follows:

Description of lease	Termination Date	Balance	2022 Revenues
State of Minnesota - Community Behavioral Health Hospital	April 30, 2036	\$2,539,686	\$213,373
American Tower Corporation - property for cellular communications tower	July 31, 2039	112,334	6,844
Independent School District 544 - DeLagoon Softball Field 5	June 30, 2030	65,232	9,942
Mortenson Outdoor Sign - property for outdoor (billboard) sign placement	Sept 17, 2033	<u>53,700</u>	<u>6,000</u>
Total governmental activities		<u>\$2,770,952</u>	<u>\$236,159</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$6,187,360				\$6,187,360
Intangible assets	232,170				232,170
Construction in progress	5,302,035	4,147,785	(7,079,751)	(11,669)	2,358,400
Total capital assets, not being depreciated	<u>\$11,721,565</u>	<u>\$4,147,785</u>	<u>(\$7,079,751)</u>	<u>(\$11,669)</u>	<u>\$8,777,930</u>
Other capital assets:					
Buildings and systems	\$41,852,752	\$717,280	(\$2,813,644)		\$39,756,388
Improvements other than buildings	9,647,738	5,372,821			15,020,559
Machinery and equipment	18,028,119	1,386,484	(333,010)		19,081,593
Infrastructure	61,551,075	1,361,091			62,912,166
Leased equipment		139,287			139,287
Total other capital assets at historical cost	<u>\$131,079,684</u>	<u>\$8,976,963</u>	<u>(\$3,146,654)</u>		<u>\$136,909,993</u>
Less accumulated depreciation for:					
Buildings and systems	\$14,330,345	\$1,081,195	(\$175,853)		\$15,235,687
Improvements other than buildings	3,796,109	433,888			4,229,997
Machinery and equipment	12,676,947	1,235,273	(333,010)		13,579,210
Infrastructure	34,693,713	1,206,508			35,900,221
Less accumulated amortization for:					
Leased equipment		24,854			24,854
Total accumulated depreciation and amortization	<u>\$65,497,114</u>	<u>\$3,981,718</u>	<u>(\$508,863)</u>		<u>\$68,969,969</u>
Total other capital assets, net	<u>\$65,582,570</u>	<u>\$4,995,245</u>	<u>(\$2,637,791)</u>		<u>\$67,940,024</u>
Governmental activities capital assets, net	<u>\$77,304,135</u>	<u>\$9,143,030</u>	<u>(\$9,717,542)</u>	<u>(\$11,669)</u>	<u>\$76,717,954</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$565,940				\$565,940
Construction in progress	730,925	1,472,239	(591,482)	11,669	1,623,351
Total capital assets, not being depreciated	<u>\$1,296,865</u>	<u>\$1,472,239</u>	<u>(\$591,482)</u>	<u>\$11,669</u>	<u>\$2,189,291</u>
Other capital assets:					
Buildings and systems	\$21,135,091	\$33,095			\$21,168,186
Improvements other than buildings	55,409,192	591,482			56,000,674
Machinery and equipment	3,254,374	84,816			3,339,190
Total other capital assets	<u>\$79,798,657</u>	<u>\$709,393</u>			<u>\$80,508,050</u>
Less accumulated depreciation for:					
Buildings and systems	\$17,102,613	\$298,671			\$17,401,284
Improvements other than buildings	25,489,902	1,124,305			26,614,207
Machinery and equipment	1,849,306	126,049			1,975,355
Total accumulated depreciation	<u>\$44,441,821</u>	<u>\$1,549,025</u>			<u>\$45,990,846</u>
Total other capital assets, net	<u>\$35,356,836</u>	<u>(\$839,632)</u>			<u>\$34,517,204</u>
Business-type activities capital assets, net	<u>\$36,653,701</u>	<u>\$632,607</u>	<u>(\$591,482)</u>	<u>\$11,669</u>	<u>\$36,706,495</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit - PEG Access:					
Other capital assets:					
Improvements other than buildings	\$62,041				\$62,041
Machinery and equipment	140,477				140,477
Total other capital assets	<u>\$202,518</u>				<u>\$202,518</u>
Less accumulated depreciation for:					
Improvements other than buildings	\$57,315	\$3,102			\$60,417
Machinery and equipment	125,307	15,170			140,477
Total accumulated depreciation	<u>\$182,622</u>	<u>\$18,272</u>			<u>\$200,894</u>
Component unit - PEG Access other capital assets, net	<u>\$19,896</u>	<u>(\$18,272)</u>			<u>\$1,624</u>

Intangible assets : The City determined the value of internally generated computer software to be \$232,170 as of December 31, 2013. Retroactive reporting was implemented for the capitalization of the software. Due to the permanent nature of the software and its indefinite useful life, the City determined the software will not be amortized.

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

Governmental activities:	
General government	\$336,822
Airport	244,541
Public safety	394,201
Streets and highways including depreciation of infrastructure	1,633,931
Culture and recreation	1,196,230
Economic development	169,972
Sanitation	<u>6,021</u>
Total depreciation and amortization expense - governmental activities	<u>\$3,981,718</u>
Business-type activities:	
Waste Management	\$189,820
Liquor Store	40,948
Sewage Disposal	587,030
Water Department	542,766
Storm Water	<u>188,461</u>
Total depreciation expense - business-type activities	<u>\$1,549,025</u>
Component unit - PEG Access:	
General government	<u>\$18,272</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Commitments

The City has active projects as of December 31, 2022. The projects include trail and structure improvements to the riverfront corridor in the downtown area and public utility infrastructure. At year end, the City's commitments are as follows:

Project	Total Contract Amount	Spent-to-date	Remaining Commitment
Downtown Riverfront Improvements - 9767	\$3,591,292		\$3,591,292
Public Utility Infrastructure - 5958	1,086,266	1,021,842	64,424
Total	\$4,677,558	\$1,021,842	\$3,655,716

F. Interfund receivables, payables, and transfers

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

Due to/from other funds:

Payable Fund	Receivable Fund					Payable Fund Sub Total
	General	Port Authority	Operations	Other Governmental Funds	Waste Management	
General			\$505,618	\$2,701		\$508,319
Port Authority	32		1,325,423			1,325,455
Operations		9,000				9,000
Other Govt Funds	1,059					1,059
Waste Management	55		67,806			67,861
Liquor Store	56		9,770			9,826
Sewage Disposal	20		118,401			118,421
Water Department	3,817		79,805		5,046	88,668
Storm Water	44,850		74,666			119,516
Internal Service	137			381		518
Total	\$50,026	\$9,000	\$2,181,489	\$3,082	\$5,046	\$2,248,643

Payable Fund	Receivable Fund				Payable Fund Total
	Payable Fund Sub Total	Sewage Disposal	Storm Water	Internal Service	
General	\$508,319			\$8,553	\$516,872
Port Authority	1,325,455				1,325,455
Operations	9,000	2,289,324			2,298,324
Other Govt Funds	1,059				1,059
Waste Management	67,861	764			68,625
Liquor Store	9,826				9,826
Sewage Disposal	118,421				118,421
Water Department	88,668	5,944	8,744		103,356
Storm Water	119,516				119,516
Internal Service	518				518
Total	\$2,248,643	\$2,296,032	\$8,744	\$8,553	\$4,561,972

The due to/due from other fund balances represent borrowing to resolve deficit cash balances between the Operations capital projects fund and the Sewage Disposal fund (\$2,289,324). The Port Authority owes the Operations capital projects fund for costs related to the Dairy Site cleanup (\$1,314,240). The other balances between the funds are for reimbursements of operating and capital expenditures.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund receivables, payables, and transfers (Continued)

Advances to/from other funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Purpose</u>
	Internal Service	
General	\$47,381	Funding for purchase of golf course equipment

Interfund transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General	Operations	\$528,953	Funding capital projects
General	Other Govt Funds	365,350	Operations and capital funding
General	Internal Service	1,320	Operations funding
Port Authority	Other Govt Funds	17,468	Debt service funding
Operations	Other Govt Funds	442,420	Debt service funding
Other Govt Funds	General	10,959	Operations funding
Waste Management	General	265,722	Operations and capital funding
Liquor Store	General	665,419	Operations and capital funding
Liquor Store	Operations	9,770	Capital funding
Sewage Disposal	General	295,200	Operations and capital funding
Water Department	General	268,911	Operations and capital funding
Water Department	Operations	17,145	Capital funding
Storm Water	General	89,741	Operations and capital funding
Storm Water	Operations	13,560	Capital funding
Internal Service	General	136,675	Operations and capital funding
		<u>\$3,128,613</u>	
Total			

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Fund Balances

	<u>General</u>	<u>Special Revenue</u> Port Authority	<u>Debt Service</u> G.O. Port Authority 2019A	<u>Capital</u> Projects Operations	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Nonspendable:						
Inventories	\$128,838				\$5,876	\$134,714
Prepaid items	30,771				4,798	35,569
Permanent fund principal					14,301	14,301
Restricted for:						
Bad debts					24,278	24,278
Canine program	3,253					3,253
CBHH capital maintenance		519,779				519,779
CBHH operations		28,672				28,672
Community Ice Arena	411,274					411,274
Debt service			38,684		1,274,089	1,312,773
E & G Noyes Park	413					413
Employee Flexible Benefits	3,083					3,083
Infrastructure improvements				200,471		200,471
Library expansion				405,941	718,340	1,124,281
Library purposes					49,927	49,927
Park improvements					5,702	5,702
Police forfeitures	118,166					118,166
Police programs	10,080					10,080
Public restrooms	7,876					7,876
Revolving loans					2,790,904	2,790,904
Street maintenance	564,352					564,352
Tax increment plans					91,764	91,764
Tri-centennial	8,563					8,563
Committed to:						
Airport capital improvements					275,428	275,428
Bigwood Event Center capital maintenance					76,397	76,397
Tax abatement - Dental Specialists					1,056	1,056
Tax abatement - Fergus Care Center					9,772	9,772
Tax abatement - Housing Rebate					999	999
Tax abatement - Northstar					20,763	20,763
Tax abatement - Platte Properties					4,487	4,487
Tax abatement - Westridge Mall					125,924	125,924
Assigned to:						
Bigwood Event Center					37,029	37,029
Capital projects				1,150,940		1,150,940
Future capital outlay	1,449,984				122,659	1,572,643
Library operations					405,947	405,947
Park improvements					13,779	13,779
Port Authority operations		2,880,695				2,880,695
Regional Treatment Center	11,377					11,377
Revolving loans/ development projects					1,960,336	1,960,336
Snow removal	58,319					58,319
Unassigned	5,878,243					5,878,243
Total fund balances	\$8,684,592	\$3,429,146	\$38,684	\$1,757,352	\$8,034,555	\$21,944,329

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City of Fergus Falls place a final cover on its municipal solid waste landfill, ash monocell, and demolition debris cell when closed and perform certain maintenance and monitoring functions at the sites for thirty years after closure. In addition to operating expenses related to current activities of these facilities, an expense provision and related liability have been recognized for future closure and postclosure care costs that will be incurred near or after the date they no longer accept waste. The recognition of these closure and postclosure costs is based on the portion of the total capacity used during each year. In 1993, the City of Fergus Falls closed its municipal solid waste landfill in accordance with EPA regulations for unlined landfills. The City determined that total closure costs would be \$1,022,851 and estimated that postclosure care costs would total \$354,000 for the thirty-year period. The unpaid liability for these costs was recognized in full at December 31, 1993, since the landfill was closed. The ash monocell was closed in 2006 after the City discontinued burning waste at the City’s Waste-to-Energy facility (incinerator). The demolition debris cell (permit SW 184) was 100 percent filled at December 31, 2010. Permit site SW 184 was officially closed in 2012. The City began operating the Phase I interim demolition debris cell under permit SW 184 which was changed to permit SW 572 upon approval from the State of Minnesota in 2011. The City initiated construction of a new landfill (permit SW 572) during 2010. As of December 31, 2022, 9.35 percent of the total capacity of the new site (permit SW 572) had been used. Permit SW 572 has an estimated 62 years of useful life remaining. The total estimated liability for landfill closure/postclosure costs of the two sites is as follows at December 31, 2022:

Municipal Solid Waste Landfill (SW 184)	
Estimated postclosure costs	\$625,322
Municipal Solid Waste Landfill (SW 572)	
Estimated closure/postclosure costs	157,016
	\$782,338

Remaining closure/postclosure costs for the demolition debris cell are estimated to be \$392,984 at December 31, 2022. The City of Fergus Falls will recognize the remaining estimated closure and postclosure care costs as the remaining estimated capacity is filled, and ultimately closed. The liability for permit SW 184 is based on estimated closure and postclosure costs approved by the State of Minnesota in 2008. The liability for permit SW 572 is based on engineering estimates. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State law to maintain funding within a trust to finance closure and postclosure care of permit site SW 184. The contingency action funds of \$918,502 are also held within the trust for remediation of potential environmental hazards. The City is in compliance with the State requirements and at December 31, 2022, funds of \$2,848,232 are held for these purposes. The funds are reported as restricted assets in the statement of net position. The City expects that future inflation costs will be paid from investment earnings on the trust. However, if investment earnings are inadequate or additional postclosure care requirements are determined; the costs may need to be covered by future utility revenues.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 5 - LONG-TERM DEBT

A. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued to provide funds for proprietary activities are reported within business-type activities if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds and general obligation revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation sales tax revenue bonds are expected to be repaid from a local option sales tax and contributions. Improvement bonds are expected to be repaid from assessments to the benefited properties, general property tax levies, and transfers from proprietary funds. General obligation Port Authority bonds are expected to be repaid from general property tax levies and payments through a financed purchase agreement. General obligation tax increment bonds are expected to be repaid from the tax increment generated by the district properties.

Summary of General Obligation Bonds Payable as of December 31, 2022

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental activities				
Capital Improvement	\$3,955,000	2023-2032	2.00-4.00	\$3,370,000
Equipment Certificates	400,000	2023-2029	2.00-4.00	335,000
Sales Tax Revenue Bonds	7,055,000	2023-2023	4.00	900,000
Improvement	2,970,000	2023-2035	1.60-5.00	1,585,000
Port Authority	5,091,416	2023-2049	0.00-4.00	4,984,547
Tax Increment	1,670,000	2029-2048	2.80-4.00	1,670,000
Total governmental activities				<u>\$12,844,547</u>
Business-type activities				
G.O. Revenue Bonds	\$5,100,000	2022-2038	2.00-5.00	\$4,315,000
Total general obligation bonds				<u>\$17,159,547</u>

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

<u>Year Ending 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	\$1,758,056	\$357,905	\$390,000	\$144,906
2024	883,057	299,159	400,000	131,094
2025	763,057	274,976	425,000	116,756
2026	788,057	249,499	400,000	98,881
2027	828,057	223,029	275,000	82,081
2028-2032	3,640,281	834,014	1,455,000	262,426
2033-2037	1,778,982	513,982	890,000	74,300
2038-2042	980,000	326,850	80,000	2,700
2043-2047	1,060,000	151,050		
2048-2049	365,000	10,125		
Total	<u>\$12,844,547</u>	<u>\$3,240,589</u>	<u>\$4,315,000</u>	<u>\$913,144</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 5 - LONG-TERM DEBT (Continued)

A. General obligation bonds (Continued)

The City of Fergus Falls issued \$1,670,000 General Obligation (G.O.) Tax Increment Revenue Bonds, Series 2022A, dated August 18, 2022. The bonds were issued to finance the installation of infrastructure for a new housing development. Future tax increments will be used for payment of the bonds.

B. Lease Liability

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental activities				
Fiber lines - Otter Tail Telcom	\$75,210	2026	3.25	\$61,128
Copier equipment (City Hall) - Marco	22,404	2025	3.25	16,556
Copier equipment (Police Dept.) - Marco	19,116	2027	3.25	18,823
Printers (City Hall/Arena) - Marco	22,557	2027	3.25	19,402
Total governmental activities				<u><u>\$115,909</u></u>

Annual debt service requirements to maturity for lease liability are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$28,503	\$3,335
2024	29,443	2,405
2025	28,244	1,442
2026	24,759	599
2027	4,960	68
Total	<u><u>\$115,909</u></u>	<u><u>\$7,849</u></u>

C. Other long-term liabilities

<u>Purpose</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental activities				
USDA loan payable	\$900,000	2023	1.00	\$36,447
Total governmental activities				<u><u>\$36,447</u></u>

Annual debt service requirements to maturity for other long-term liabilities payable are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	36,447	364
Total	<u><u>\$36,447</u></u>	<u><u>\$364</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 5 - LONG-TERM DEBT (Continued)

D. 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
Governmental activities:					
Bonds payable:					
G.O. Capital Improvement	\$3,670,000		\$300,000	\$3,370,000	\$310,000
G.O. Equipment Certificates	375,000		40,000	335,000	45,000
G.O. Sales Tax Revenue Bonds	2,010,000		1,110,000	900,000	900,000
G.O. Improvement	1,960,000		375,000	1,585,000	285,000
Port Authority	4,976,417	83,318	75,188	4,984,547	218,056
Tax Increment		1,670,000		1,670,000	
Bond premium	872,649	26,275	145,458	753,466	
Loans and contracts	16,108		16,108		
USDA loan payable	72,735		36,288	36,447	36,447
Lease liability		139,287	23,378	115,909	28,503
Compensated absences	1,368,595	633,984	559,001	1,443,578	703,583
Governmental activity					
Long-term liabilities	<u>\$15,321,504</u>	<u>\$2,552,864</u>	<u>\$2,680,421</u>	<u>\$15,193,947</u>	<u>\$2,526,589</u>
Business-type activities:					
Bonds payable:					
G.O. Revenue Bonds	\$4,690,000		\$375,000	\$4,315,000	\$390,000
G.O. Revenue Bonds Premium	404,968		54,880	350,088	
Compensated absences	411,572	184,272	190,332	405,512	198,275
Liability for landfill closure/postclosure	883,823	28,363	129,848	782,338	50,000
Business-type activities					
Long-term liabilities	<u>\$6,390,363</u>	<u>\$212,635</u>	<u>\$750,060</u>	<u>\$5,852,938</u>	<u>\$638,275</u>
Component unit - PEG Access:					
Compensated absences	<u>\$9,343</u>	<u>\$3,410</u>	<u>\$3,457</u>	<u>\$9,296</u>	<u>\$4,239</u>
Component unit - FF CVB:					
Compensated absences	<u>\$4,548</u>	<u>\$3,744</u>	<u>\$7,919</u>	<u>\$373</u>	<u>\$373</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$23,896 of internal service funds compensated absences are included in the above amounts. In addition, for governmental activities, compensated absences are generally liquidated by the General fund.

For governmental activities, the General fund has liquidated the net other post employment benefit obligation and net pension liability.

Tax increment revenue notes

Tax increment revenue notes payable are not considered general obligations of the City as repayment to the developer(s) occurs if, and only if, sufficient taxes are generated and paid by finance district project(s).

Conduit debt obligations

From time to time the City of Fergus Falls has issued conduit private activity bonds to provide financial assistance to private-sector entities, including non-profit organizations, for the acquisition and construction of industrial and commercial facilities and facilities serving the charitable purposes of non-profit organizations. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the City does not report the bonds as liabilities in the accompanying financial statements. As of December 31, 2022 there were eight issues outstanding with a total principal amount payable of \$43,756,687.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters. The City participates with other cities in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage and to provide workers' compensation insurance for its employees. Health care coverage for employees is provided by the City through Lakes Country Service Cooperative (as discussed in Section D, Other employee benefits).

The City's general liability policy is on a claims-made basis with a deductible of \$10,000 per occurrence and an annual aggregate deductible of \$20,000 and provides for a limit of \$2 million in liability coverage with \$3 million in aggregate. For the year ending December 31, 2022, premiums for liability and property coverage totaled \$183,575 and \$208,611, respectively. The City also provides a blanket dishonesty policy, which includes a faithful performance bond on all employees up to \$250,000. The City's Municipal Liquor Store and Bigwood Event Center general liability/liquor liability policy is included within the LMCIT package, which provides for \$1 million of coverage per occurrence and an aggregate of \$1 million. The cost for the liquor liability coverage in 2022 was \$9,275.

The City also participates in the LMCIT for its workers' compensation insurance program, which is administered by a third-party, Berkley Administrators. The City has selected the guaranteed premium option for workers' compensation to reduce the risk in fluctuation of premiums. The cost to the City for workers' compensation for the year ended December 31, 2022, was \$402,359.

The City continued to carry commercial insurance for standard liability, liquor store liability, property and automotive, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In 2022, there was no significant reduction in insurance coverage.

B. Contingent liabilities

The City participates in a number of Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for various periods prior to or including the year ended December 31, 2022, have not yet been accepted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans

The City participates in various pension plans. Total pension expense for the year ended December 31, 2022 was \$1,196,677 [PERA \$786,201, PEPFF \$693,048, DCP \$3,377 and the Fergus Falls Fire Department Relief Association (\$285,949)]. The components of pension expense are noted in the following plan summaries.

The General Fund, Port Authority, Public Library, Waste Management, Liquor Store, Sewage Disposal, Water Department, and Storm Water funds typically liquidate the liability related to pensions.

1. Defined benefit pension plans – statewide employees plan

a. Plan description

The City of Fergus Falls 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.

1. General Employees Retirement Plan

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

2. 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.

b. Benefits provided

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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

b. Benefits provided (Continued)

1. General Employees Plan benefits

General Employees Plan benefits are based on a member's highest 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 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50.00 percent of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. 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 50.00 percent after five years up to 100.00 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 50.00 percent after ten years up to 100.00 percent after twenty years of credited service. The annuity accrual rate is 3.00 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 equal at least 90.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

b. Benefits provided (Continued)

2. Police and Fire Plan benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1.00 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

c. Contributions

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

1. General Employees Fund contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City of Fergus Falls was required to contribute 7.50 percent for Coordinated Plan members. The City of Fergus Falls' contributions to the General Employees Fund for the year ended December 31, 2022, were \$473,625. The City of Fergus Falls' contributions were equal to the required contributions as set by State statute.

2. Police and Fire Fund contributions

Police and Fire Plan members were required to contribute 11.80 percent of their covered salary in fiscal year 2022 and the City of Fergus Falls was required to contribute 17.70 percent for Police and Fire Plan members. The City of Fergus Falls' contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$412,554. The City of Fergus Falls' contributions were equal to the required contributions as set by State statute.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs

1. General Employees Fund pensions costs

At December 31, 2022, the City of Fergus Falls reported a liability of \$6,534,027 for its proportionate share of the General Employees Fund’s net pension liability. The City of Fergus Falls’ 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 of Fergus Falls totaled \$191,516.

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 of Fergus Falls’ proportionate share of the net pension liability was based on the City of Fergus Falls’ contributions received by PERA during the measurement period for the employer payroll 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 of Fergus Falls’ proportionate share was .0825 percent at the end of the measurement period and .0805 percent for the beginning of the period.

City of Fergus Falls' proportionate share of the net pension liability	\$6,534,027
State of Minnesota's proportionate share of the net pension liability associated with the City of Fergus Falls	<u>191,516</u>
Total	<u><u>\$6,725,543</u></u>

For the year ended December 31, 2022, the City of Fergus Falls recognized pension expense of \$786,201 for its proportionate share of the General Employee Retirement Plan’s pension expense. Included in this amount, the City of Fergus Falls recognized an additional \$28,617 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

1. General Employees Fund pension costs (Continued)

At December 31, 2022, the City of Fergus Falls reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$54,577	\$68,424
Changes in actuarial assumptions	1,444,002	27,284
Difference between projected and actual investment earnings	180,465	
Changes in proportion	64,057	131,433
Contributions paid to PERA subsequent to the measurement date	235,955	
Total	\$1,979,056	\$227,141

The \$235,955 reported as deferred outflows of resources related to pensions resulting from the City of Fergus Falls’ contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2023	\$530,059
2024	561,695
2025	(166,699)
2026	590,905
Total	\$1,515,960

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs

At December 31, 2022, the City of Fergus Falls reported a liability of \$8,159,259 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 of Fergus Falls’ proportionate share of the net pension liability was based on the City of Fergus Falls’ 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 of Fergus Falls’ proportionate share was .1875 percent at the end of the measurement period and .1828 percent 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 direct state aid was paid on October 1, 2021. 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 90.00 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.00 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 Period 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 of Fergus Falls recognized pension expense of \$693,048 for its proportionate share of the Police and Fire Plan’s pension expense. Included in this amount, the City of Fergus Falls recognized \$69,144 as pension expense and grant revenue for its proportionate share of the State of Minnesota’s contribution of \$9 million to the Police and Fire Fund.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs (Continued)

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 of Fergus Falls recognized \$16,875 for the year ended December 31, 2022 as revenue and an offsetting reduction of the 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 of Fergus Falls reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$495,708	
Changes in actuarial assumptions	4,760,323	50,436
Difference between projected and actual investment earnings	173,330	
Changes in proportion	71,554	115,131
Contributions paid to PERA subsequent to the measurement date	206,600	
Total	\$5,707,515	\$165,567

The \$206,600 reported as deferred outflows of resources related to pensions resulting from the City of Fergus Falls’ contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

d. Pension costs (Continued)

2. Police and Fire Fund pension costs (Continued)

Year ended December 31,	Pension Expense Amount
2023	\$1,045,063
2024	1,039,981
2025	912,958
2026	1,652,438
2027	684,908
Total	\$5,335,348

e. 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. The 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100.00%	

f. 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

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

f. Actuarial methods and assumptions (Continued)

assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed 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 1.00 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 3.00 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 3.00 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 study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees fund:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from scale MP-20 to scale MP-21.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

f. Actuarial methods and assumptions (Continued)

Changes in plan provisions

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

Police and Fire fund:

Changes in Actuarial Assumptions:

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

Changes in plan provisions:

- There have been no changes since the prior valuation.

g. Discount rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund 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 the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's 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 G.O. 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 6.50 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

1. Defined benefit pension plans – statewide employees plan (Continued)

h. Pension liability sensitivity

The following presents the City of Fergus Falls’ 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 of Fergus Falls’ proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability/(Asset) at Different Discount Rates				
	General Employees Fund		Police and Fire Fund	
1.00% Lower	5.50%	\$10,320,838	4.40%	\$12,347,993
Current Discount Rate	6.50%	6,534,027	5.40%	8,159,259
1.00% Higher	7.50%	3,428,258	6.40%	4,772,919

i. 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.

2. Defined contribution plan

Seven council members and the Mayor of the City of Fergus Falls are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the elected official's

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

2. Defined contribution plan (Continued)

employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and twenty-five hundredths of 1.00 percent (.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City of Fergus Falls during fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$3,377	\$3,377	5.00%	5.00%	5.00%

3. Defined benefit pension plan – volunteer fire fighter's relief association

a. Plan description

The Fergus Falls Fire Department Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Fergus Falls Fire Department per Minnesota State Statutes.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Fergus Falls Fire Department Relief Association, 325 East Washington Avenue, Fergus Falls, MN 56537 or by calling (218) 736-6983.

b. Benefits provided

Volunteer fire fighters of the City are members of the Fergus Falls Fire Department Relief Association. Any member who has completed at least ten years of active membership in the Association and who separates from active service as a fire fighter after attaining the minimum retirement age of 50 is eligible for a lump sum retirement benefit. After ten years of active service, a member is entitled to 60.00 percent of \$5,850 multiplied by the number of years of service. This amount is increased by 4.00 percent a year until 20 years of active service have been completed. After 20 years of active service, a member is entitled to the full \$5,850

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

b. Benefits provided (Continued)

multiplied by the number of years served. Upon death of any member in good standing, the survivor or estate of the deceased is entitled to receive \$5,850 for each year of active service of that member. In the event that the death occurs after the member has terminated or retired from the Association, only the vested portion of the pension shall be distributed. These benefit provisions and all other requirements are consistent with enabling State statutes.

c. Employees covered by benefit terms

At January 1, 2021, the following volunteers were covered by the benefit terms:

Vested terminated and transfers	9
Active	<u>37</u>
	46

d. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The City's obligation is the financial requirement for the year less State aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on-behalf payment of \$110,648 made by the State of Minnesota for the Relief Association

e. Net pension liability

The City's net pension liability was measured as of January 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

1. Actuarial assumptions

The total pension liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

1. Actuarial assumptions (Continued)

Discount rate	5.50 percent
Salary increase	2.50 percent
Investment rate of return	5.50 percent

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply, as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The Association's investment policy provides for the following parameters:

- No more than 15.00 percent of the overall portfolio may be invested in securities of a single issuer except for the U.S. Treasury.
- No more than 75.00 percent of the Relief Association's assets shall be invested in equity securities or equity mutual funds.
- No more than 75.00 percent of the Relief Association's assets shall be invested in debt securities or debt securities mutual funds.

2. Discount rate

The discount rate used to measure the total pension liability was 5.50 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

3. Changes in plan provisions

The benefit level changed from \$5,550 to \$5,850 per year of active service.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

4. Changes in the net pension liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2021 plan year	<u>\$1,819,568</u>	<u>\$3,318,360</u>	<u>(\$1,498,792)</u>
Changes from the prior year:			
Service cost	\$91,976		\$91,976
Interest cost	105,135		105,135
Non-employer contributions		106,280	(106,280)
Projected investment return		185,187	(185,187)
Gain or loss		255,943	(255,943)
Administrative expenses		(8,925)	8,925
Total net changes	<u>\$197,111</u>	<u>\$538,485</u>	<u>(\$341,374)</u>
Balances at December 31, 2021 plan year	<u><u>\$2,016,679</u></u>	<u><u>\$3,856,845</u></u>	<u><u>(\$1,840,166)</u></u>

5. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 5.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50 percent) or 1 percentage point higher (6.50 percent) than the current rate:

	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
City's net pension liability/(asset)	<u>(\$1,752,019)</u>	<u>(\$1,840,166)</u>	<u>(\$1,924,281)</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

e. Net pension liability (Continued)

6. Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

f. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended December 31, 2022, the City recognized pension expense of (\$285,949). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions made after the measurement date	\$110,648	
Investment gains		486,196
Liability gains		57,625
Assumption changes		20,098
Total deferred outflows/inflows of resources	\$110,648	\$563,919

The \$110,648 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2023	(\$166,053)
2024	(203,405)
2025	(119,424)
2026	(55,958)
2027	(4,771)
Thereafter	(14,308)
Total	(\$563,919)

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

C. Employee retirement systems and pension plans (Continued)

3. Defined benefit pension plan – volunteer fire fighter's relief association (Continued)

g. Payable to the pension plan

At December 31, 2022, there was no City contribution required for the Fergus Falls Fire Department Relief Association.

D. Other employee benefits

The City participates in the Lakes Country Service Cooperative (LCSC) to purchase health insurance for City employees. LCSC consists of area cities, counties, and school districts, which purchase insurance in one large pool, thereby minimizing the risk of fluctuating premiums. The City offers the employees two health insurance plans.

One health insurance plan is a Comprehensive Major Medical (CMM) Plan with 70.00 percent coverage limits. The 70.00 percent CMM Plan is a \$500 and \$1,000 deductible plan for single and family coverage, respectively.

The other health insurance plan is a \$3,250/\$6,500 high deductible health plan with an HSA. The employer contributes \$500 annually to the HSA.

Expenditures for health insurance premiums recognized in the various funds for the year ended December 31, 2022, totaled \$1,869,188.

The City also provides a life insurance policy for all full-time City employees and on-call firefighters. Expenditures for life insurance premiums recognized in the various funds for the year ended December 31, 2022, totaled \$10,658.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

D. Other employee benefits (Continued)

In 1991, the City established a flexible benefit plan under Internal Revenue Code Section 125. The plan allows employees to pay for dependent care, medical expenses, and health and outside insurance with pre-tax dollars.

In 2022, the City had the following participation:

	No. Employees Who Elected Benefit	Total Dollar Amount Reclassified
Health Insurance premiums	23	\$64,631
Variable expenses:		
Dependent care assistance (DCA)	4	13,320
Out-of-pocket (Health FSA)	27	39,362
Total Election		\$117,313

E. Postemployment healthcare plan

1. Plan description

The City’s defined benefit OPEB Plan provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Lakes Country Service Cooperative (LCSC). No assets are accumulated in a trust. Financial information in the form of accounting records for the OPEB Plan is available from the City located at 112 West Washington Avenue, Fergus Falls, Minnesota. The accounting records are audited as a part of the basic financial statements. Separate financial statements have not been issued for the OPEB Plan.

2. Benefits provided

City employees and spouses retiring from service are allowed to remain on the healthcare plan at their own cost.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

3. Contributions

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with LCSC. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2022, the city contributed \$31,720 to the plan.

4. Members

As of January 1, 2021, there were approximately 123 active employees and 7 retirees and family members receiving health benefits from the City’s health plan.

5. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	2.00 percent
20-year municipal bond yield	2.00 percent
Salary increases	Based on PERA experience studies
Inflation	2.00 percent
Medical trend rate	6.50 percent as of January 1, 2021, grading to 5.00 percent over 6 years and then 4.00 percent over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

6. Total OPEB Liability

The City’s total OPEB liability of \$734,046 was measured as of January 1, 2022 and was determined by an actuarial valuation as of January 1, 2021.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2021 plan year	<u>\$719,981</u>
Changes for the year	
Service cost	49,939
Interest cost	14,894
Differences between expected and actual experience	
Benefit payments	<u>(50,768)</u>
Net changes	<u>14,065</u>
Balances at December 31, 2021 plan year	<u><u>\$734,046</u></u>

Benefit Changes:

- None for the fiscal year ended December 31, 2022.

Assumption Changes:

- None for the fiscal year ended December 31, 2022.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

7. OPEB Liability Sensitivity

The following presents the City’s total OPEB liability calculated using the discount rate of 2.00 percent as well as the liability measured using 1.00 percent lower and 1.00 percent higher than the current discount rate.

Total OPEB Liability/(Asset)		
1.00 percent decrease (1.00 percent)	Current (2.00 percent)	1.00 percent increase (3.00 percent)
\$786,182	\$734,046	\$684,567

The following presents the total OPEB liability of the City as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percent lower and 1.00 percent higher than the current healthcare cost trend rates.

1.00 percent decrease (5.25 percent decreasing to 4.00 percent then 3.00 percent)	Current (6.25 percent decreasing to 5.00 percent then 4.00 percent)	1.00 percent increase (7.25 percent decreasing to 6.00 percent then 5.00 percent)
\$652,643	\$734,046	\$830,314

8. OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$46,893. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

E. Postemployment healthcare plan (Continued)

8. OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of resources Related To OPEB (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions made after the measurement date	\$31,720	
Liability gains		136,880
Liability losses	17,249	
Assumption changes	<u>32,452</u>	<u>8,409</u>
Total	<u><u>\$81,421</u></u>	<u><u>\$145,289</u></u>

The \$31,720 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2023	(\$17,939)
2024	(17,939)
2025	(17,942)
2026	(20,886)
2027	<u>(20,882)</u>
Total	<u><u>(\$95,588)</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

F. Significant event

The City obtained ownership of the Regional Treatment Center (RTC) campus from the State of Minnesota effective June 30, 2007. An appraisal was performed resulting in a negative asset value; therefore, the amount has not been included within the financial statements. The State of Minnesota allocated funds for the City of Fergus Falls to use for deconstruction and infrastructure related to redevelopment of the campus. During 2011, the City sold two parcels of the campus and redevelopment of those parcels was initiated during 2014. During 2015, the City designated the 13 acres located in front of the RTC as Kirkbride Park. The park had a fair market value of \$370,000 and was included in capital assets. The City constructed utility infrastructure improvements during 2016, which were included in capital assets and performed preservation projects to select buildings. During the 2018 legislative session, the State of Minnesota allocated \$3,500,000 to the City for further deconstruction of buildings located behind the U-shaped building and preservation of remaining buildings. This appropriation may not be used to demolish the central tower or the U-shaped building connected to the central tower. Phase 2 deconstruction was complete as of December 31, 2020. A project stabilizing the building envelope has been initiated and is anticipated to be complete by June 30, 2023. The City is open to potential developers for reuse of the remaining campus. The City is required to remit any sales proceeds (net of expenses) to the State of Minnesota.

G. Tax abatement agreements

The City has entered into tax abatement agreements, which meet the criteria for disclosure under Government Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The City's authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of economic development and specific housing needs.

The City entered into a tax abatement agreement with Platte Properties, LLC on April 1, 2016 for the construction of a 24-unit market rate housing project and walking/bike trail. The tax abatement levy began in 2018 and is for 100.00 percent of the City's share of real estate taxes derived from the tax abatement property in the semiannual amount not to exceed \$9,000 for a 15-year term and an aggregate amount of \$270,000.

The City entered into a tax abatement agreement with Fergus Care Center, LLC on July 16, 2018 for the acquisition and renovation of an existing building located at 1010 Maryland Lane, in the City of Fergus Falls. The building is leased by Fergus Care Center, LLC to the State of Minnesota Department of Health and Human Services. The tax abatement levy began in 2020 and is for 100.00 percent of the City's share of real estate taxes derived from the tax abatement property in the semiannual amount not to exceed \$7,500 for a 6-year term and an aggregate amount of \$90,000.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

G. Tax abatement agreements (Continued)

The City entered into a tax abatement agreement with Northstar Behavioral Health, LLC on September 1, 2019 for the lease and renovation of an existing building located at 1174 Western Avenue, in the City of Fergus Falls. The building will be used to operate chemical dependency and mental health services. The tax abatement levy began in 2021 and is for 100.00 percent of the City’s share of real estate taxes derived from the tax abatement property payable semiannually over a 10-year term and an aggregate amount of \$381,240.

The City approved a tax abatement agreement with Dental Specialists of Fergus Falls, LLC on November 1, 2021 for the renovation of a vacant commercial property located at 215 North Tower Road, in the City of Fergus Falls. The building will be used for a large scale, multi-specialty dental facility. The City anticipates the tax abatement levy will begin in 2024 and will be for a portion of the City’s share of real estate taxes derived from the taxable property payable semiannually over a 9.5-year term and an aggregate amount of \$111,000.

The City is offering a tax rebate program (tax abatement) to incentivize construction of new single-family or two-family residences. The program runs through December 31, 2024. The City will rebate 100 percent of the City property taxes for up to 5 years or \$5,000, whichever comes first.

H. Tax increment financing

The City has entered into six Tax Increment financing agreements, which meet the criteria for disclosure under Government Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The City’s authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of economic development and specific housing needs.

Under five agreements, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A “pay-as-you-go” note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

The City established Tax Increment Financing District 4-14 to finance the installation of infrastructure for a new housing development. During 2022 the City issued General Obligation Tax Increment Revenue Bonds, Series 2022A and will apply the future tax increments to the payment of the bonds.

During the year ended December 31, 2022, the City generated \$242,576 in tax increment from the Tax Increment districts and made \$153,284 in payments to the developers.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Financial Statements
December 31, 2022

NOTE 6 – OTHER INFORMATION (Continued)

I. Change in accounting principle/prior period adjustment

For the year ended December 31, 2022, the City implemented GASB Statement No. 87, Leases. This resulted in an adjustment to the beginning net position on the Statement of Activities to reduce a contract receivable from Independent School District 544 in the amount of \$72,984. According to GASB Statement No. 87, this contract is now classified as a lease receivable and included in Deferred Inflows of Resources – Lease receivable on the Statement of Net Position.

The Flexible Benefit fund was determined to not meet the criteria of classification as a custodial fund. The Flexible Benefit fund is now included within the General Fund. This resulted in an addition of \$15,833 to the beginning net position on the Statement of Activities as well as the beginning fund balance of the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The beginning fiduciary net position was reduced by \$15,833 on the Statement of Changes in Fiduciary Net Position – Fiduciary Funds.

J. New standards issued but not yet implemented

GASB Statement No. 96, Subscription-Based Information Technology Arrangements establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
Total OPEB Liability					
Service cost	\$43,116	\$38,498	\$39,653	\$48,484	\$49,939
Interest cost	24,726	25,624	31,189	32,300	14,894
Assumption changes		(19,627)		45,435	
Plan changes				11,935	
Differences between expected and actual experience		40,253		(191,634)	
Benefit payments	(34,114)	(37,980)	(45,352)	(55,611)	(50,768)
Net change in total OPEB liability	<u>\$33,728</u>	<u>\$46,768</u>	<u>\$25,490</u>	<u>(\$109,091)</u>	<u>\$14,065</u>
Beginning of year	<u>\$723,086</u>	<u>\$756,814</u>	<u>\$803,582</u>	<u>\$829,072</u>	<u>\$719,981</u>
End of year	<u><u>\$756,814</u></u>	<u><u>\$803,582</u></u>	<u><u>\$829,072</u></u>	<u><u>\$719,981</u></u>	<u><u>\$734,046</u></u>
Covered-employee payroll	\$7,585,733	\$7,894,102	\$8,130,925	\$7,674,286	\$7,904,915
Total OPEB liability as a percentage of covered-employee payroll	9.98%	10.18%	10.20%	9.38%	9.29%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 75 for the year ended December 31, 2018. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Plan

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0852%	\$4,415,506		\$4,415,506	\$4,922,973	89.69%	78.19%
2016	0.0847%	6,877,217	89,813	6,967,030	5,256,253	130.84%	68.90%
2017	0.0869%	5,547,639	69,760	5,617,399	5,598,587	99.09%	75.90%
2018	0.0886%	4,915,165	161,215	5,076,380	5,952,187	82.58%	79.50%
2019	0.0851%	4,704,988	146,327	4,851,315	6,023,667	78.11%	80.20%
2020	0.0847%	5,078,152	156,571	5,234,723	6,042,840	84.04%	79.10%
2021	0.0805%	3,437,711	104,907	3,542,618	5,792,627	59.35%	87.00%
2022	0.0825%	6,534,027	191,516	6,725,543	6,179,987	105.73%	76.70%

Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years Public Employees Police and Fire Plan

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1890%	\$2,147,482			\$1,682,667	127.62%	86.61%
2016	0.1890%	7,584,899			1,820,401	416.66%	63.90%
2017	0.1850%	2,497,720			1,894,327	131.85%	85.40%
2018	0.1871%	1,994,293			1,971,704	101.15%	88.80%
2019	0.1974%	2,074,874			2,036,006	101.91%	89.30%
2020	0.1936%	2,534,431	60,129	2,594,560	2,138,638	118.51%	87.20%
2021	0.1828%	1,394,570	63,430	1,458,000	2,160,616	64.55%	93.70%
2022	0.1875%	8,159,259	356,458	8,515,717	2,278,203	358.14%	70.50%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City Contributions
General Employees Retirement Plan
Last Ten Years

Fiscal Year Ending 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
2015	\$383,043	\$383,043		\$5,107,240	7.50%
2016	404,283	404,283		5,390,440	7.50%
2017	436,251	436,251		5,816,680	7.50%
2018	451,648	451,648		6,021,973	7.50%
2019	453,503	453,503		6,046,707	7.50%
2020	446,454	446,454		5,952,718	7.50%
2021	458,714	458,714		6,116,185	7.50%
2022	473,625	473,625		6,315,000	7.50%

Schedule of City Contributions
Public Employees Police and Fire Plan
Last Ten Years

Fiscal Year Ending 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
2015	\$284,750	\$284,750		\$1,757,716	16.20%
2016	301,018	301,018		1,858,136	16.20%
2017	313,333	313,333		1,934,154	16.20%
2018	325,211	325,211		2,007,475	16.20%
2019	366,578	366,578		2,162,702	16.95%
2020	386,732	386,732		2,184,924	17.70%
2021	406,006	406,006		2,294,099	17.70%
2022	412,554	412,554		2,330,814	17.70%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Liability
and Related Ratios - Fergus Falls Fire Department Relief Association

	Measurement Date <u>12/31/2014</u>	Measurement Date <u>12/31/2015</u>	Measurement Date <u>12/31/2016</u>
Total Pension Liability (TPL)			
Service cost	\$63,811	\$69,494	\$67,041
Interest cost	101,369	99,874	105,544
Assumption changes			(80,398)
Plan changes			14,948
Gain or loss			(77,854)
Benefit payments	<u>(25,375)</u>	<u>(153,250)</u>	<u>(138,133)</u>
Net change in total pension liability	<u>\$139,805</u>	<u>\$16,118</u>	<u>(\$108,852)</u>
Beginning of year	<u>\$1,534,810</u>	<u>\$1,674,615</u>	<u>\$1,690,733</u>
End of Year	\$1,674,615	\$1,690,733	\$1,581,881
Plan Fiduciary Net Pension (FNP)			
State and municipal contributions	\$88,461	\$92,458	\$93,376
Net investment income	176,729	147,280	144,395
Gain or loss		(135,134)	22,761
Benefit payments	(25,375)	(153,250)	(138,133)
Administrative expense	<u>(5,212)</u>	<u>(5,386)</u>	<u>(5,662)</u>
Net change in plan fiduciary net position	<u>\$234,603</u>	<u>(\$54,032)</u>	<u>\$116,737</u>
Beginning of year	<u>\$2,154,959</u>	<u>\$2,389,562</u>	<u>\$2,335,530</u>
End of year	\$2,389,562	\$2,335,530	\$2,452,267
Net Pension Liability (NPL)	<u><u>(\$714,947)</u></u>	<u><u>(\$644,797)</u></u>	<u><u>(\$870,386)</u></u>
FNP as a percentage of the TPL	142.69%	138.14%	155.02%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting.

See notes to required supplementary information.

Measurement Date 12/31/2017	Measurement Date 12/31/2018	Measurement Date 12/31/2019	Measurement Date 12/31/2020	Measurement Date 12/31/2021
\$73,867	\$79,156	\$85,297	\$91,890	\$91,976
83,169	79,126	80,407	91,689	105,135
66,621	68,603	64,905	98,206	
(287,183)	(50,879) (317,708)		(5,306) (64,173)	
<u>(\$63,526)</u>	<u>(\$141,702)</u>	<u>\$230,609</u>	<u>\$212,306</u>	<u>\$197,111</u>
<u>\$1,581,881</u>	<u>\$1,518,355</u>	<u>\$1,376,653</u>	<u>\$1,607,262</u>	<u>\$1,819,568</u>
\$1,518,355	\$1,376,653	\$1,607,262	\$1,819,568	\$2,016,679
\$93,829	\$94,564	\$102,267	\$100,962	\$106,280
129,401	134,201	127,557	155,649	185,187
172,352	(186,802)	321,023	317,320	255,943
(287,183)	(317,708)		(64,173)	
<u>(5,680)</u>	<u>(6,780)</u>	<u>(8,736)</u>	<u>(5,970)</u>	<u>(8,925)</u>
<u>\$102,719</u>	<u>(\$282,525)</u>	<u>\$542,111</u>	<u>\$503,788</u>	<u>\$538,485</u>
<u>\$2,452,267</u>	<u>\$2,554,986</u>	<u>\$2,272,461</u>	<u>\$2,814,572</u>	<u>\$3,318,360</u>
\$2,554,986	\$2,272,461	\$2,814,572	\$3,318,360	\$3,856,845
<u>(\$1,036,631)</u>	<u>(\$895,808)</u>	<u>(\$1,207,310)</u>	<u>(\$1,498,792)</u>	<u>(\$1,840,166)</u>
168.27%	165.07%	175.12%	182.37%	191.25%

CITY OF FERGUS FALLS, MINNESOTA
Required Supplementary Information
Schedule of City Contributions
Fergus Falls Fire Department Relief Association

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Statutorily determined contribution (SDC)	\$0	\$0	\$0	\$0
Actual contribution	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
State pass through 2% aid	<u>\$88,461</u>	<u>\$92,458</u>	<u>\$93,376</u>	<u>\$93,829</u>

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
\$0	\$0	\$0	\$0	\$0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>\$94,181</u>	<u>\$102,267</u>	<u>\$100,962</u>	<u>\$106,280</u>	<u>\$110,648</u>

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2022 Changes

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.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 projection scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent.
- The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

2020 Changes (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

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.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 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 was changed from 7.90 percent to 7.50 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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.

POLICE AND FIRE FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions

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

2021 Changes

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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

2021 Changes (Continued)

- 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 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 increases 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 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

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 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100.00 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

2018 Changes (Continued)

Changes in Plan Provisions (continued)

- 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.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent 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 was 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.

CITY OF FERGUS FALLS, MINNESOTA
Notes to Required Supplementary Information

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after 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.

VOLUNTEER FIRE FIGHTER'S RELIEF ASSOCIATION

2022 Changes

Changes in Plan Provisions

- The benefit level changed from \$5,500 to \$5,850 per year of active service.

2021 Changes

Changes in Plan Provisions

- The benefit level changed from \$5,150 to \$5,500 per year of active service.

2020 Changes

Changes in Plan Provisions

- The benefit level changed from \$4,950 to \$5,150 per year of active service.

2019 Changes

Changes in Plan Provisions

- The benefit level changed from \$4,900 to \$4,950 per year of active service.

POSTEMPLOYMENT HEALTHCARE PLAN

No assets have been accumulated in a trust to pay related benefits for the OPEB plan.

2021 Changes

Benefit Changes

- An early retirement incentive was offered to one confidential employee that required the City to pay for their monthly medical premiums through July 31, 2021.

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, salary scale, and retirement and withdrawal tables for non-public safety employees were updated. The discount rate was changed from 3.80 percent to 2.00 percent.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.30 percent to 3.80 percent.
- The mortality tables were updated from the RP-14 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Table with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

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COMBINING AND INDIVIDUAL FUNDS

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue		
	Public Library	Bigwood Event Center	Revolving Loan
ASSETS			
Cash and cash equivalents	\$882,799	\$116,583	\$477,426
Restricted cash - customer deposits		8,950	
Investments	400,000		1,500,000
Receivables:			
Taxes	24,607		
Notes and contracts			2,088,392
Intergovernmental	4,860		
Other	4,182	12,904	712,133
Due from other funds	3,082		
Inventories		5,876	
Prepaid items	2,298	2,500	
	<u>\$1,321,828</u>	<u>\$146,813</u>	<u>\$4,777,951</u>
LIABILITIES			
Accounts payable	\$17,624	\$14,326	\$1,977
Accrued salaries payable	12,715	1,735	449
Retainage payable			
Intergovernmental payable			
Due to other funds	45		7
Advances from other funds			
Interest payable			
Unearned revenue	5,301		
Customer deposits		8,950	
	<u>\$35,685</u>	<u>\$25,011</u>	<u>\$2,433</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$17,428		
FUND BALANCES			
Nonspendable	\$2,298	\$8,376	
Restricted	737,811		2,815,182
Committed		76,397	
Assigned	528,606	37,029	1,960,336
	<u>\$1,268,715</u>	<u>\$121,802</u>	<u>\$4,775,518</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,321,828</u>	<u>\$146,813</u>	<u>\$4,777,951</u>

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Total
\$37,756	\$54,683 9,720	\$161,788	\$1,731,035 18,670 1,900,000
		2,341	26,948
			2,088,392
123	209	528	4,860 730,079 3,082 5,876 4,798
<u>\$37,879</u>	<u>\$64,612</u>	<u>\$164,657</u>	<u>\$6,513,740</u>
			\$33,927 14,899
	1,007		1,059
	9,720		5,301 18,670
	<u>\$10,727</u>		<u>\$73,856</u>
		\$1,656	\$19,084
37,879	53,885	163,001	\$10,674 3,644,757 239,398 2,525,971
<u>\$37,879</u>	<u>\$53,885</u>	<u>\$163,001</u>	<u>\$6,420,800</u>
<u>\$37,879</u>	<u>\$64,612</u>	<u>\$164,657</u>	<u>\$6,513,740</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Debt Service			
	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Sales Tax Revenue 2017A
ASSETS				
Cash and cash equivalents	\$2,578	\$3,143	\$29,842	\$984,981
Restricted cash - customer deposits				
Investments				
Receivables:				
Taxes		1,851	10,356	
Notes and contracts				
Intergovernmental				
Other	8	10	97	3,211
Due from other funds				
Inventories				
Prepaid items				
Total assets	\$2,586	\$5,004	\$40,295	\$988,192
LIABILITIES				
Accounts payable				
Accrued salaries payable				
Retainage payable				
Intergovernmental payable				
Due to other funds				
Advances from other funds				
Interest payable				
Unearned revenue				
Customer deposits				
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property tax		\$1,306	\$7,317	
FUND BALANCES				
Nonspendable				
Restricted	2,586	3,698	32,978	988,192
Committed				
Assigned				
Total fund balances	\$2,586	\$3,698	\$32,978	\$988,192
Total liabilities, deferred inflows of resources, and fund balances	\$2,586	\$5,004	\$40,295	\$988,192

(Continued)

Debt Service

G.O. Equip. Certificates 2020A	G.O. Port Authority 2020A	G.O. Port Authority 2020B	G.O. Port Authority 2021A	G.O. Tax Increment 2022A	Total
\$2,826	\$102	\$678	\$96,183	\$145,031	\$1,265,364
1,464			2,598		16,269
8		2	313	473	4,122
<u>\$4,298</u>	<u>\$102</u>	<u>\$680</u>	<u>\$99,094</u>	<u>\$145,504</u>	<u>\$1,285,755</u>
<u>\$1,047</u>			<u>\$1,996</u>		<u>\$11,666</u>
3,251	102	680	97,098	145,504	1,274,089
<u>\$3,251</u>	<u>\$102</u>	<u>\$680</u>	<u>\$97,098</u>	<u>\$145,504</u>	<u>\$1,274,089</u>
<u>\$4,298</u>	<u>\$102</u>	<u>\$680</u>	<u>\$99,094</u>	<u>\$145,504</u>	<u>\$1,285,755</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	<u>Capital Projects</u>			<u>Permanent Funds</u>		
	<u>Parks Improvement</u>	<u>Airport Capital Improvement</u>	<u>Total</u>	<u>John B. Renny Library Trust</u>	<u>George Oakes Welch Library Trust</u>	<u>Phebe Lyon Welch Library Trust</u>
ASSETS						
Cash and cash equivalents	\$19,418	\$57,516	\$76,934	\$1,670	\$2,549	\$3,318
Restricted cash - customer deposits						
Investments						
Receivables:						
Taxes		1,219	1,219			
Notes and contracts						
Intergovernmental		230,013	230,013			
Other	63	187	250	5	8	11
Due from other funds						
Inventories						
Prepaid items						
Total assets	<u>\$19,481</u>	<u>\$288,935</u>	<u>\$308,416</u>	<u>\$1,675</u>	<u>\$2,557</u>	<u>\$3,329</u>
LIABILITIES						
Accounts payable		\$9,506	\$9,506			
Accrued salaries payable						
Retainage payable		3,142	3,142			
Intergovernmental payable						
Due to other funds						
Advances from other funds						
Interest payable						
Unearned revenue						
Customer deposits						
Total liabilities		<u>\$12,648</u>	<u>\$12,648</u>			
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property tax		\$859	\$859			
FUND BALANCES						
Nonspendable				\$531	\$885	\$885
Restricted	5,702		5,702	1,144	1,672	2,444
Committed		275,428	275,428			
Assigned	13,779		13,779			
Total fund balances	<u>\$19,481</u>	<u>\$275,428</u>	<u>\$294,909</u>	<u>\$1,675</u>	<u>\$2,557</u>	<u>\$3,329</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$19,481</u>	<u>\$288,935</u>	<u>\$308,416</u>	<u>\$1,675</u>	<u>\$2,557</u>	<u>\$3,329</u>

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
\$3,995	\$3,725	\$29,355	\$44,612	\$3,117,945 18,670 1,900,000 44,436 2,088,392 234,873
13	12	96	145	734,596 3,082 5,876 4,798
<u>\$4,008</u>	<u>\$3,737</u>	<u>\$29,451</u>	<u>\$44,757</u>	<u>\$8,152,668</u>
				\$43,433 14,899 3,142 1,059 5,301 18,670
				<u>\$86,504</u>
				<u>\$31,609</u>
\$1,000 3,008	\$1,000 2,737	\$10,000 19,451	\$14,301 30,456	\$24,975 4,955,004 514,826 2,539,750
<u>\$4,008</u>	<u>\$3,737</u>	<u>\$29,451</u>	<u>\$44,757</u>	<u>\$8,034,555</u>
<u>\$4,008</u>	<u>\$3,737</u>	<u>\$29,451</u>	<u>\$44,757</u>	<u>\$8,152,668</u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	<u>Special Revenue</u>		
	<u>Public Library</u>	<u>Bigwood Event Center</u>	<u>Revolving Loan</u>
REVENUES			
Taxes	\$817,629		
Intergovernmental	117,735		
Charges for services	7,336	55,397	2,050
Fines and forfeits	3,593		
Contributions	25,555		
Investment earnings	(69,633)	(11,420)	(129,348)
Other interest income			58,597
Rent		66,107	
Other	11,286		
	<u>11,286</u>	<u>66,107</u>	<u>58,597</u>
Total revenues	<u>\$913,501</u>	<u>\$110,084</u>	<u>(\$68,701)</u>
EXPENDITURES			
Current:			
Airport			
Culture and recreation	843,508	301,451	
Community development			29,104
Economic development			6,301
Debt service:			
Principal			36,289
Interest			727
Other			
Capital outlay	114,315	295,185	
	<u>114,315</u>	<u>295,185</u>	<u>36,289</u>
Total expenditures	<u>\$957,823</u>	<u>\$596,636</u>	<u>\$72,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$44,322)</u>	<u>(\$486,552)</u>	<u>(\$141,122)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$2,701	\$361,649	
Transfers (out)	(6,265)	(4,600)	
General obligation bonds issued			
Total other financing sources and (uses)	<u>(\$3,564)</u>	<u>\$357,049</u>	
Net change in fund balances	(\$47,886)	(\$129,503)	(\$141,122)
Fund balances - beginning	<u>1,316,601</u>	<u>251,305</u>	<u>4,916,640</u>
Fund balances - ending	<u>\$1,268,715</u>	<u>\$121,802</u>	<u>\$4,775,518</u>

Special Revenue

Port Authority Tax Increment Districts	Tax Increment Districts	Tax Abatement	Total
	\$242,576	\$82,024	\$1,142,229
		13	117,748
	29,486	9,240	103,509
			3,593
			25,555
(2,560)	(5,703)	(10,288)	(228,952)
			58,597
			66,107
			11,286
<u>(\$2,560)</u>	<u>\$266,359</u>	<u>\$80,989</u>	<u>\$1,299,672</u>
			1,144,959
		25,945	55,049
	313,229	73,842	393,372
			36,289
	163		890
			409,500
	<u>\$313,392</u>	<u>\$99,787</u>	<u>\$2,040,059</u>
<u>(\$2,560)</u>	<u>(\$47,033)</u>	<u>(\$18,798)</u>	<u>(\$740,387)</u>
		\$1,000	\$365,350
		(94)	(10,959)
		\$906	\$354,391
(2,560)	(47,033)	(17,892)	(385,996)
40,439	100,918	180,893	6,806,796
<u>\$37,879</u>	<u>\$53,885</u>	<u>\$163,001</u>	<u>\$6,420,800</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Debt Service			
	Permanent Improvement Revolving	G.O. Capital Improvement 2010A	G.O. Capital Improvement 2012C	G.O. Sales Tax Revenue 2017A
REVENUES				
Taxes		\$59,970	\$337,585	\$1,265,431
Intergovernmental		9	51	
Charges for services				
Fines and forfeits				
Contributions				
Investment earnings	(2,565)	(1,231)	(9,123)	(100,624)
Other interest income				
Rent				
Other				
Total revenues	(\$2,565)	\$58,748	\$328,513	\$1,164,807
EXPENDITURES				
Current:				
Airport				
Culture and recreation				25,208
Community development				
Economic development				
Debt service:				
Principal	375,000	45,000	255,000	1,110,000
Interest	65,430	12,950	90,150	80,400
Other	990			495
Capital outlay				
Total expenditures	\$441,420	\$57,950	\$345,150	\$1,216,103
Excess (deficiency) of revenues over (under) expenditures	(\$443,985)	\$798	(\$16,637)	(\$51,296)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$442,420			
Transfers (out)				
General obligation bonds issued				
Total other financing sources and (uses)	\$442,420			
Net change in fund balances	(\$1,565)	\$798	(\$16,637)	(\$51,296)
Fund balances - beginning	4,151	2,900	49,615	1,039,488
Fund balances - ending	\$2,586	\$3,698	\$32,978	\$988,192

(Continued)

Debt Service					
G.O. Equipment Certificates 2020A	G.O. Port Authority 2020A	G.O. Port Authority 2020B	G.O. Port Authority 2021A	G.O. Tax Increment 2022A	Total
\$54,058 7			\$111,069 17		\$1,828,113 84
(1,049)	102	680	45	(3,576)	(117,341)
<u>\$53,016</u>	<u>\$102</u>	<u>\$680</u>	<u>\$111,131</u>	<u>(\$3,576)</u>	<u>\$1,710,856</u>
					25,208
40,000 11,700 16	2,281	15,187	14,527 495		1,840,187 277,438 1,996
<u>\$51,716</u>	<u>\$2,281</u>	<u>\$15,187</u>	<u>\$15,022</u>		<u>\$2,144,829</u>
<u>\$1,300</u>	<u>(\$2,179)</u>	<u>(\$14,507)</u>	<u>\$96,109</u>	<u>(\$3,576)</u>	<u>(\$433,973)</u>
	\$2,281	\$15,187			\$459,888
				149,080	149,080
	\$2,281	\$15,187		\$149,080	\$608,968
\$1,300	\$102	\$680	\$96,109	\$145,504	\$174,995
1,951			989		1,099,094
<u>\$3,251</u>	<u>\$102</u>	<u>\$680</u>	<u>\$97,098</u>	<u>\$145,504</u>	<u>\$1,274,089</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	<u>Capital Projects</u>			<u>Permanent Funds</u>		
	<u>Parks Improvement</u>	<u>Airport Capital Improvement</u>	<u>Total</u>	<u>John B. Renny Library Trust</u>	<u>George Oakes Welch Library Trust</u>	<u>Phebe Lyon Welch Library Trust</u>
REVENUES						
Taxes		\$39,879	\$39,879			
Intergovernmental		87,774	87,774			
Charges for services						
Fines and forfeits						
Contributions						
Investment earnings	(1,304)	(8,413)	(9,717)	(112)	(172)	(223)
Other interest income						
Rent						
Other						
Total revenues	<u>(\$1,304)</u>	<u>\$119,240</u>	<u>\$117,936</u>	<u>(\$112)</u>	<u>(\$172)</u>	<u>(\$223)</u>
EXPENDITURES						
Current:						
Airport		\$25,666	\$25,666			
Culture and recreation						
Community development						
Economic development						
Debt service:						
Principal						
Interest						
Other						
Capital outlay		109,814	109,814			
Total expenditures		<u>\$135,480</u>	<u>\$135,480</u>			
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,304)</u>	<u>(\$16,240)</u>	<u>(\$17,544)</u>	<u>(\$112)</u>	<u>(\$172)</u>	<u>(\$223)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
General obligation bonds issued						
Total other financing sources and (uses)						
Net change in fund balances	(\$1,304)	(\$16,240)	(\$17,544)	(\$112)	(\$172)	(\$223)
Fund balances - beginning	20,785	291,668	312,453	1,787	2,729	3,552
Fund balances - ending	<u>\$19,481</u>	<u>\$275,428</u>	<u>\$294,909</u>	<u>\$1,675</u>	<u>\$2,557</u>	<u>\$3,329</u>

(Continued)

Permanent Funds				
Wheelock Memorial Library Trust	Hilma L. Lundeen Memorial Library Trust	Marguerite R. Patterson Memorial Library Trust	Total	Total Nonmajor Funds
				\$3,010,221
				205,606
				103,509
				3,593
				25,555
(269)	(250)	(1,972)	(2,998)	(359,008)
				58,597
				66,107
				11,286
<u>(\$269)</u>	<u>(\$250)</u>	<u>(\$1,972)</u>	<u>(\$2,998)</u>	<u>\$3,125,466</u>
				\$25,666
				1,170,167
				55,049
				393,372
				1,876,476
				278,328
				1,996
				519,314
				<u>\$4,320,368</u>
<u>(\$269)</u>	<u>(\$250)</u>	<u>(\$1,972)</u>	<u>(\$2,998)</u>	<u>(\$1,194,902)</u>
				\$825,238
				(10,959)
				149,080
				<u>\$963,359</u>
(269)	(250)	(1,972)	(2,998)	(\$231,543)
4,277	3,987	31,423	47,755	8,266,098
<u>\$4,008</u>	<u>\$3,737</u>	<u>\$29,451</u>	<u>\$44,757</u>	<u>\$8,034,555</u>

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes:				
General property tax	\$5,353,500	\$5,353,500	\$5,346,760	(\$6,740)
Lodging tax	140,000	140,000	169,686	29,686
Mobile home tax	4,200	4,200	5,620	1,420
Penalties and interest on taxes	3,200	3,200	15,810	12,610
Total taxes	<u>\$5,500,900</u>	<u>\$5,500,900</u>	<u>\$5,537,876</u>	<u>\$36,976</u>
Licenses and permits	205,010	205,010	333,921	128,911
Intergovernmental:				
Federal	\$55,000	\$55,000	\$519,995	\$464,995
State	4,294,902	4,302,754	4,571,126	268,372
Other	88,500	88,500	93,616	5,116
Total intergovernmental	<u>\$4,438,402</u>	<u>\$4,446,254</u>	<u>\$5,184,737</u>	<u>\$738,483</u>
Charges for services	965,726	965,726	1,133,989	168,263
Fines and forfeits	63,100	70,602	67,562	(3,040)
Contributions	5,000	211,400	227,133	15,733
Investment earnings	200,000	200,000	(507,990)	(707,990)
Other interest income	2,200	2,200	2,352	152
Rent	66,000	66,000	82,135	16,135
Other	50,000	50,000	75,125	25,125
Total revenues	<u>\$11,496,338</u>	<u>\$11,718,092</u>	<u>\$12,136,840</u>	<u>\$418,748</u>
EXPENDITURES				
General government:				
City council	\$69,182	\$69,182	\$71,782	\$2,600
Ordinances and proceedings	4,500	4,500	5,567	1,067
Mayor	15,217	15,217	15,520	303
Communications	5,300	42,300	42,632	332
City administrator	317,634	317,634	315,932	(1,702)
Elections	23,215	23,215	25,834	2,619
Finance	356,421	356,421	349,664	(6,757)
Investment management	74,300	74,300	70,062	(4,238)
Data processing	405,952	485,452	457,198	(28,254)
Legal	200,617	200,617	197,931	(2,686)
Human resources	265,342	269,942	271,235	1,293
Wellness program		3,066	700	(2,366)
Planning and zoning	171,249	172,701	88,185	(84,516)
Cable television	100,180	100,180	105,944	5,764
Annexation	24,541	24,541	24,676	135
General government buildings	226,113	226,113	220,066	(6,047)
Other	106,686	251,488	100,470	(151,018)
Total general government	<u>\$2,366,449</u>	<u>\$2,636,869</u>	<u>\$2,363,398</u>	<u>(\$273,471)</u>

(Continued)

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public safety:				
Police department	\$4,118,845	\$4,125,731	\$4,064,991	(\$60,740)
Emergency management	13,135	13,135	7,205	(5,930)
Fire department	754,251	805,712	815,918	10,206
Building inspection	133,380	133,380	134,396	1,016
Property abatement	12,307	39,224	41,404	2,180
Rental registration	63,974	63,974	63,763	(211)
Total public safety	<u>\$5,095,892</u>	<u>\$5,181,156</u>	<u>\$5,127,677</u>	<u>(\$53,479)</u>
Streets and highways:				
Engineering	\$155,656	\$155,656	\$143,232	(\$12,424)
GIS	137,344	137,344	109,819	(27,525)
Supervision and general	41,721	41,721	40,628	(1,093)
Street maintenance	1,385,576	1,690,253	1,624,530	(65,723)
Ice and snow removal	612,701	705,373	647,054	(58,319)
Street lighting	302,848	302,848	234,711	(68,137)
Traffic signs and markings	107,490	107,490	117,222	9,732
Transit	50,082	50,082	50,069	(13)
Parking lots	19,753	19,753	13,171	(6,582)
Total streets and highways	<u>\$2,813,171</u>	<u>\$3,210,520</u>	<u>\$2,980,436</u>	<u>(\$230,084)</u>
Sanitation:				
Animal and weed control	\$52,872	\$52,872	\$47,950	(\$4,922)
Airport:				
Airport and grounds	\$223,930	\$223,930	\$255,439	\$31,509
Culture and recreation:				
Recreation	\$798,851	\$814,451	\$989,385	\$174,934
Parks	748,345	748,345	809,440	61,095
Forestry and nursery	279,328	289,947	229,143	(60,804)
Senior citizens	83,992	96,992	99,449	2,457
Total culture and recreation	<u>\$1,910,516</u>	<u>\$1,949,735</u>	<u>\$2,127,417</u>	<u>\$177,682</u>
Community development:				
Community events	\$6,964	\$6,964	\$16,917	\$9,953
Community development department	108,271	108,271	102,214	(6,057)
Other	174,025	174,025	205,569	31,544
Total community development	<u>\$289,260</u>	<u>\$289,260</u>	<u>\$324,700</u>	<u>\$35,440</u>

(Continued)

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Economic development:				
Greater Fergus Falls	\$50,082	\$50,082	\$50,069	(\$13)
Regional Treatment Center			15,821	15,821
Total economic development	<u>\$50,082</u>	<u>\$50,082</u>	<u>\$65,890</u>	<u>\$15,808</u>
Debt service:				
Principal	\$16,108	\$16,108	\$16,108	
Interest	2,630	2,630	2,493	(137)
Total debt service	<u>\$18,738</u>	<u>\$18,738</u>	<u>\$18,601</u>	<u>(137)</u>
Capital outlay	<u>\$454,361</u>	<u>\$2,050,332</u>	<u>\$1,166,750</u>	<u>(\$883,582)</u>
Total expenditures	<u>\$13,275,271</u>	<u>\$15,663,494</u>	<u>\$14,478,258</u>	<u>(\$1,185,236)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,778,933)</u>	<u>(\$3,945,402)</u>	<u>(\$2,341,418)</u>	<u>\$1,603,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,651,933	\$1,731,533	\$1,732,627	\$1,094
Transfers (out)	<u>(107,565)</u>	<u>(307,583)</u>	<u>(895,623)</u>	<u>(588,040)</u>
Total other financing sources and (uses)	<u>\$1,544,368</u>	<u>\$1,423,950</u>	<u>\$837,004</u>	<u>(\$586,946)</u>
Net change in fund balances	<u><u>(\$234,565)</u></u>	<u><u>(\$2,521,452)</u></u>	<u><u>(\$1,504,414)</u></u>	<u><u>\$1,017,038</u></u>
Fund balance - beginning			10,173,173	
Prior period adjustment			15,833	
Fund balance - beginning, as restated			<u>10,189,006</u>	
Fund balance - ending			<u><u>\$8,684,592</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Library Special Revenue Fund
For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
General property tax	\$828,000	\$828,000	\$816,752	(\$11,248)
Mobile home tax	700	700	877	177
Total taxes	<u>\$828,700</u>	<u>\$828,700</u>	<u>\$817,629</u>	<u>(\$11,071)</u>
Intergovernmental	99,093	99,093	117,735	18,642
Charges for services	5,800	5,800	7,336	1,536
Fines and forfeits	1,600	1,600	3,593	1,993
Contributions	650	25,435	25,555	120
Investment earnings	10,000	10,000	(69,633)	(79,633)
Other	<u>8,500</u>	<u>8,500</u>	<u>11,286</u>	<u>2,786</u>
Total revenues	<u>\$954,343</u>	<u>\$979,128</u>	<u>\$913,501</u>	<u>(\$65,627)</u>
EXPENDITURES				
Current:				
Culture and recreation	\$850,938	\$856,263	\$843,508	(\$12,755)
Capital outlay	<u>97,140</u>	<u>229,439</u>	<u>114,315</u>	<u>(115,124)</u>
Total expenditures	<u>\$948,078</u>	<u>\$1,085,702</u>	<u>\$957,823</u>	<u>(\$127,879)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$6,265</u>	<u>(\$106,574)</u>	<u>(\$44,322)</u>	<u>\$62,252</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		\$2,701	\$2,701	
Transfers (out)	<u>(6,265)</u>	<u>(6,265)</u>	<u>(6,265)</u>	
Total other financing sources and (uses)	(\$6,265)	(\$3,564)	(\$3,564)	
Net change in fund balances	<u><u> </u></u>	<u><u>(\$110,138)</u></u>	<u><u>(\$47,886)</u></u>	<u><u>\$62,252</u></u>
Fund balance - beginning			<u>1,316,601</u>	
Fund balance - ending			<u><u>\$1,268,715</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bigwood Event Center Special Revenue Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Charges for services	\$184,077	\$55,397	(\$128,680)
Investment earnings	3,000	(11,420)	(14,420)
Rent		66,107	66,107
	<u>\$187,077</u>	<u>\$110,084</u>	<u>(\$76,993)</u>
EXPENDITURES			
Current:			
Culture and recreation	\$354,202	\$301,451	(\$52,751)
Capital outlay		295,185	295,185
	<u>\$354,202</u>	<u>\$596,636</u>	<u>\$242,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$167,125)</u>	<u>(\$486,552)</u>	<u>(\$319,427)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$167,125	\$361,649	\$194,524
Transfers (out)		(\$4,600)	(\$4,600)
	<u>\$167,125</u>	<u>\$357,049</u>	<u>\$189,924</u>
Net change in fund balances	<u><u> </u></u>	<u>(\$129,503)</u>	<u>(\$129,503)</u>
Fund balance - beginning		<u>251,305</u>	
Fund balance - ending		<u><u>\$121,802</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Revolving Loan Special Revenue Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Intergovernmental	\$350,000		(\$350,000)
Charges for services	5,000	2,050	(2,950)
Investment earnings	52,000	(129,348)	(181,348)
Other interest income	74,000	58,597	(15,403)
Total revenues	\$481,000	(\$68,701)	(\$549,701)
EXPENDITURES			
Current:			
Community development	\$29,755	\$29,104	(\$651)
Economic development	359,360	6,301	(353,059)
Debt service:			
Principal	36,289	36,289	
Interest	727	727	
Total expenditures	\$426,131	\$72,421	(\$353,710)
Excess (deficiency) of revenues over (under) expenditures	\$54,869	(\$141,122)	(\$195,991)
Net change in fund balances	\$54,869	(\$141,122)	(\$195,991)
Fund balance - beginning		4,916,640	
Fund balance - ending		\$4,775,518	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tax Increment Districts Special Revenue Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
Tax increments	\$182,300	\$242,576	\$60,276
Charges for services		29,486	29,486
Investment earnings	1,450	(5,703)	(7,153)
	<u>\$183,750</u>	<u>\$266,359</u>	<u>\$82,609</u>
EXPENDITURES			
Current:			
Economic development	\$160,543	\$313,229	\$152,686
Debt service:			
Interest	173	163	(10)
	<u>\$160,716</u>	<u>\$313,392</u>	<u>\$152,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$23,034</u>	<u>(\$47,033)</u>	<u>(\$70,067)</u>
Net change in fund balances	<u>\$23,034</u>	<u>(\$47,033)</u>	<u>(\$70,067)</u>
Fund balance - beginning		<u>100,918</u>	
Fund balance - ending		<u>\$53,885</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tax Abatement Special Revenue Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$83,000	\$81,951	(\$1,049)
Mobile home tax	60	73	13
Total taxes	\$83,060	\$82,024	(\$1,036)
Intergovernmental	19	13	(6)
Charges for services		9,240	9,240
Investment earnings	300	(10,288)	(10,588)
Total revenues	\$83,379	\$80,989	(\$2,390)
EXPENDITURES			
Current:			
Community development	\$26,500	\$25,945	(\$555)
Economic development	66,065	73,842	7,777
Total expenditures	\$92,565	\$99,787	\$7,222
Excess (deficiency) of revenues over (under) expenditures	(\$9,186)	(\$18,798)	(\$9,612)
OTHER FINANCING SOURCES (USES)			
Transfers in		\$1,000	\$1,000
Transfers (out)		(94)	(94)
Total other financing sources and (uses)		\$906	\$906
Net change in fund balances	(\$9,186)	(\$17,892)	(\$8,706)
Fund balance - beginning		180,893	
Fund balance - ending		\$163,001	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Port Authority 2019A Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings	\$495	(\$3,529)	(\$4,024)
Rent	141,450	141,450	
	<u>\$141,945</u>	<u>\$137,921</u>	<u>(\$4,024)</u>
EXPENDITURES			
Debt service:			
Principal	\$60,000	\$60,000	
Interest	81,450	81,450	
Other	495	495	
	<u>\$141,945</u>	<u>\$141,945</u>	
Excess (deficiency) of revenues over (under) expenditures		<u>(\$4,024)</u>	<u>(\$4,024)</u>
Net change in fund balances		<u>(\$4,024)</u>	<u>(\$4,024)</u>
Fund balance - beginning		<u>42,708</u>	
Fund balance - ending		<u>\$38,684</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Permanent Improvement Revolving Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		(\$2,565)	(\$2,565)
Total revenues		(\$2,565)	(\$2,565)
EXPENDITURES			
Debt service:			
Principal	\$375,000	\$375,000	
Interest	65,430	65,430	
Other	1,485	990	(495)
Total expenditures	\$441,915	\$441,420	(\$495)
Excess (deficiency) of revenues over (under) expenditures	(\$441,915)	(\$443,985)	(\$2,070)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$441,915	\$442,420	\$505
Net change in fund balances		(\$1,565)	(\$1,565)
Fund balance - beginning		4,151	
Fund balance - ending		\$2,586	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Capital Improvement 2010A Debt Service Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$60,650	\$59,901	(\$749)
Mobile home tax	60	69	9
Total taxes	\$60,710	\$59,970	(\$740)
Intergovernmental	10	9	(1)
Investment earnings	144	(1,231)	(1,375)
Total revenues	\$60,864	\$58,748	(\$2,116)
EXPENDITURES			
Debt service:			
Principal	\$45,000	\$45,000	
Interest	12,950	12,950	
Other	495		(495)
Total expenditures	\$58,445	\$57,950	(\$495)
Excess (deficiency) of revenues over (under) expenditures	\$2,419	\$798	(\$1,621)
Net change in fund balances	\$2,419	\$798	(\$1,621)
Fund balance - beginning		2,900	
Fund balance - ending		\$3,698	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Capital Improvement 2012C Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$341,500	\$337,202	(\$4,298)
Mobile home tax	300	383	83
Total taxes	<u>\$341,800</u>	<u>\$337,585</u>	<u>(\$4,215)</u>
Intergovernmental	60	51	(9)
Investment earnings	<u>1,116</u>	<u>(9,123)</u>	<u>(10,239)</u>
Total revenues	<u>\$342,976</u>	<u>\$328,513</u>	<u>(\$14,463)</u>
EXPENDITURES			
Debt service:			
Principal	\$255,000	\$255,000	
Interest	90,150	90,150	
Other	<u>495</u>		<u>(495)</u>
Total expenditures	<u>\$345,645</u>	<u>\$345,150</u>	<u>(\$495)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$2,669)</u>	<u>(\$16,637)</u>	<u>(\$13,968)</u>
Net change in fund balances	<u><u>(\$2,669)</u></u>	<u><u>(\$16,637)</u></u>	<u><u>(\$13,968)</u></u>
Fund balance - beginning		<u>49,615</u>	
Fund balance - ending		<u><u>\$32,978</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Sales Tax Revenue 2017A Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Local option sales tax	\$400,000	\$1,265,431	\$865,431
Investment earnings	15,000	(100,624)	(115,624)
	<u>\$415,000</u>	<u>\$1,164,807</u>	<u>\$749,807</u>
EXPENDITURES			
Current:			
Culture and recreation	\$6,500	\$25,208	\$18,708
Debt service:			
Principal	1,110,000	1,110,000	
Interest	80,400	80,400	
Other	495	495	
	<u>\$1,197,395</u>	<u>\$1,216,103</u>	<u>\$18,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$782,395)</u>	<u>(\$51,296)</u>	<u>\$731,099</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>\$384,000</u>		<u>(\$384,000)</u>
Net change in fund balances	<u>(\$398,395)</u>	<u>(\$51,296)</u>	<u>\$347,099</u>
Fund balance - beginning		<u>1,039,488</u>	
Fund balance - ending		<u>\$988,192</u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Equipment Certificates 2020A Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$54,500	\$54,014	(\$486)
Mobile home tax		44	44
Total taxes	<u>\$54,500</u>	<u>\$54,058</u>	<u>(\$442)</u>
Intergovernmental		7	7
Investment earnings	<u>132</u>	<u>(1,049)</u>	<u>(1,181)</u>
 Total revenues	 <u>\$54,632</u>	 <u>\$53,016</u>	 <u>(\$1,616)</u>
EXPENDITURES			
Debt service:			
Principal	\$40,000	\$40,000	
Interest	11,700	11,700	
Other		16	16
 Total expenditures	 <u>\$51,700</u>	 <u>\$51,716</u>	 <u>\$16</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$2,932</u>	 <u>\$1,300</u>	 <u>(\$1,632)</u>
 Net change in fund balances	 <u><u>\$2,932</u></u>	 <u><u>\$1,300</u></u>	 <u><u>(\$1,632)</u></u>
 Fund balance - beginning		 <u>1,951</u>	
Fund balance - ending		 <u><u>\$3,251</u></u>	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Port Authority 2020A Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		\$102	\$102
Total revenues		\$102	\$102
EXPENDITURES			
Debt service:			
Interest	\$5,204	\$2,281	(\$2,923)
Total expenditures	\$5,204	\$2,281	(\$2,923)
Excess (deficiency) of revenues over (under) expenditures	(\$5,204)	(\$2,179)	\$3,025
OTHER FINANCING SOURCES (USES)			
Transfers in	\$5,204	\$2,281	(\$2,923)
Net change in fund balances		\$102	\$102
Fund balance - beginning			
Fund balance - ending		\$102	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Port Authority 2020B Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Investment earnings		\$680	\$680
Total revenues		\$680	\$680
EXPENDITURES			
Debt service:			
Principal	\$17,308	\$15,187	(\$2,121)
Total expenditures	\$17,308	\$15,187	(\$2,121)
Excess (deficiency) of revenues over (under) expenditures	(\$17,308)	(\$14,507)	\$2,801
OTHER FINANCING SOURCES (USES)			
Transfers in	\$17,308	\$15,187	(\$2,121)
Net change in fund balances		\$680	\$680
Fund balance - beginning			
Fund balance - ending		\$680	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.O. Port Authority 2021A Debt Service Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$113,000	\$110,989	(\$2,011)
Mobile home tax	50	80	30
Total taxes	\$113,050	\$111,069	(\$1,981)
Intergovernmental	10	17	7
Investment earnings	150	45	(105)
Total revenues	\$113,210	\$111,131	(\$2,079)
EXPENDITURES			
Debt service:			
Interest	\$13,680	\$14,527	\$847
Other	495	495	495
Total expenditures	\$13,680	\$15,022	\$1,342
Excess (deficiency) of revenues over (under) expenditures	\$99,530	\$96,109	(\$3,421)
Net change in fund balances	\$99,530	\$96,109	(\$3,421)
Fund balance - beginning		989	
Fund balance - ending		\$97,098	

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Operations Capital Projects Fund
For the Year Ended December 31, 2022

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Taxes:			
General property tax	\$197,000	\$194,762	(\$2,238)
Mobile home tax	195	220	25
Total taxes	<u>\$197,195</u>	<u>\$194,982</u>	<u>(\$2,213)</u>
Special assessments	161,144	252,146	91,002
Intergovernmental	3,500,035	1,501,165	(1,998,870)
Contributions	1,405,000	394,833	(1,010,167)
Investment earnings	9,203	180,915	171,712
Other interest income	65,559	51,290	(14,269)
Other	<u> </u>	<u>6,983</u>	<u>6,983</u>
Total revenues	<u>\$5,338,136</u>	<u>\$2,582,314</u>	<u>(\$2,755,822)</u>
EXPENDITURES			
Current:			
Streets and highways - other	\$5,780	\$84,177	\$78,397
Culture and recreation		9,770	9,770
Economic development - other		72,807	72,807
Capital outlay	<u>6,855,000</u>	<u>4,732,883</u>	<u>(2,122,117)</u>
Total expenditures	<u>\$6,860,780</u>	<u>\$4,899,637</u>	<u>(\$1,961,143)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(\$1,522,644)</u>	<u>(\$2,317,323)</u>	<u>(\$794,679)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$448,955	\$569,428	\$120,473
Transfers (out)	(441,915)	(442,420)	(505)
General obligation bonds issued	1,507,000	1,520,920	13,920
Premium on general obligation bonds issued	<u> </u>	<u>26,275</u>	<u>26,275</u>
Total other financing sources and (uses)	<u>\$1,514,040</u>	<u>\$1,674,203</u>	<u>\$160,163</u>
Net change in fund balances	<u>(\$8,604)</u>	<u>(\$643,120)</u>	<u>(\$634,516)</u>
Fund balance - beginning	<u> </u>	<u>2,400,472</u>	<u> </u>
Fund balance - ending	<u> </u>	<u>\$1,757,352</u>	<u> </u>

CITY OF FERGUS FALLS, MINNESOTA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Airport Capital Improvement Capital Projects Fund
For the Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Taxes:			
General property tax	\$40,500	\$39,835	(\$665)
Mobile home tax	35	44	9
Total taxes	\$40,535	\$39,879	(\$656)
Intergovernmental	469,000	87,774	(381,226)
Investment earnings		(8,413)	(8,413)
Total revenues	\$509,535	\$119,240	(\$390,295)
EXPENDITURES			
Current:			
Airport	\$535	\$25,666	\$25,131
Capital outlay	670,000	109,814	(560,186)
Total expenditures	\$670,535	\$135,480	(\$535,055)
Excess (deficiency) of revenues over (under) expenditures	(\$161,000)	(\$16,240)	\$144,760
Net change in fund balances	(\$161,000)	(\$16,240)	\$144,760
Fund balance - beginning		291,668	
Fund balance - ending		\$275,428	

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Net Position
Internal Service Funds
December 31, 2022

	Equipment	Employee Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$665,597	\$14,721	\$680,318
Investments	1,600,000		1,600,000
Receivables:			
Interest	8,237		8,237
Intergovernmental	2,940		2,940
Other	16,247	1,088	17,335
Due from other funds	8,553		8,553
Advances to other funds	47,381		47,381
Inventories	282,843		282,843
Prepaid		3,073	3,073
Total current assets	<u>\$2,631,798</u>	<u>\$18,882</u>	<u>\$2,650,680</u>
Capital assets:			
Land	\$4,350		\$4,350
Buildings and systems	506,103		506,103
Machinery and equipment	10,334,493		10,334,493
Less accumulated depreciation	<u>(8,056,641)</u>		<u>(8,056,641)</u>
Total capital assets (net of accumulated depreciation)	<u>\$2,788,305</u>		<u>\$2,788,305</u>
Total assets	<u>\$5,420,103</u>	<u>\$18,882</u>	<u>\$5,438,985</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	<u>\$96,263</u>		<u>\$96,263</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$70,152	\$2,383	\$72,535
Accrued salaries payable	6,762		6,762
Compensated absences	13,742		13,742
Intergovernmental payable	1,148		1,148
Due to other funds	137	381	518
Unearned revenue		2,660	2,660
Total current liabilities	<u>\$91,941</u>	<u>\$5,424</u>	<u>\$97,365</u>
Noncurrent liabilities:			
Compensated absences	\$10,154		\$10,154
Net pension liability	317,819		317,819
Total noncurrent liabilities	<u>\$327,973</u>		<u>\$327,973</u>
Total liabilities	<u>\$419,914</u>	<u>\$5,424</u>	<u>\$425,338</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	<u>\$11,048</u>		<u>\$11,048</u>
NET POSITION			
Net investment in capital assets	\$2,788,305		\$2,788,305
Unrestricted	2,297,099	13,458	2,310,557
Total net position	<u>\$5,085,404</u>	<u>\$13,458</u>	<u>\$5,098,862</u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2022

	<u>Equipment</u>	<u>Employee Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Sales and charges for services	\$2,244,961	\$2,037,500	\$4,282,461
Total operating revenues	<u>\$2,244,961</u>	<u>\$2,037,500</u>	<u>\$4,282,461</u>
OPERATING EXPENSES			
Personal service	\$306,954		\$306,954
Employee benefits	137,287		137,287
Supplies	740,493		740,493
Utilities	55,787		55,787
Other	227,756	2,034,574	2,262,330
Depreciation	783,165		783,165
Total operating expenses	<u>\$2,251,442</u>	<u>\$2,034,574</u>	<u>\$4,286,016</u>
Operating income (loss)	<u>(\$6,481)</u>	<u>\$2,926</u>	<u>(\$3,555)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	(\$136,528)		(\$136,528)
Other income	11,428		11,428
Gain on disposal of capital assets	32,810		32,810
Total nonoperating revenue (expenses)	<u>(\$92,290)</u>		<u>(\$92,290)</u>
Income before contributions and transfers	(\$98,771)	\$2,926	(\$95,845)
Transfers in	1,320		1,320
Transfers (out)	(136,675)		(136,675)
Change in net position	(\$234,126)	\$2,926	(\$231,200)
Total net position - beginning	<u>5,319,530</u>	<u>10,532</u>	<u>5,330,062</u>
Total net position - ending	<u><u>\$5,085,404</u></u>	<u><u>\$13,458</u></u>	<u><u>\$5,098,862</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2022

	<u>Equipment</u>	<u>Employees Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments from interfund services provided	\$2,236,679	\$2,039,398	\$4,276,077
Payments to suppliers	(825,185)		(825,185)
Payments to employees	(358,269)		(358,269)
Payments for quasi-external transactions	(79,944)		(79,944)
Other operating income	11,428		11,428
Other operating expenses	40,725	(2,033,179)	(1,992,454)
	<u>\$1,025,434</u>	<u>\$6,219</u>	<u>\$1,031,653</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	\$1,320		1,320
Transfer to other funds	(\$136,675)		(136,675)
Advances to other funds	\$10,995		\$10,995
Net cash provided (used) by noncapital financing activities	<u>(\$124,360)</u>		<u>(\$124,360)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Sale of capital assets	\$32,812		\$32,812
Purchase of capital assets	(\$728,923)		(\$728,923)
Net cash provided (used) by capital and related financing activities	<u>(\$696,111)</u>		<u>(\$696,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(\$284,379)		(\$284,379)
Interest and dividends received	45,826		45,826
Net cash provided (used) by investing activities	<u>(\$238,553)</u>		<u>(\$238,553)</u>
Net increase (decrease) in cash and cash equivalents	(\$33,590)	\$6,219	(\$27,371)
Cash and cash equivalents - January 1	699,187	8,502	707,689
Cash and cash equivalents - December 31	<u>\$665,597</u>	<u>\$14,721</u>	<u>\$680,318</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(\$6,481)	\$2,926	(\$3,555)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$783,165		\$783,165
(Increase) decrease in miscellaneous receivable	260,573	(1,088)	259,485
(Increase) decrease in intergovernmental receivable	(2,940)		(2,940)
(Increase) decrease in due from other funds	(8,282)		(8,282)
(Increase) decrease in inventories	(32,253)		(32,253)
(Increase) decrease in prepaid items		98	98
(Increase) decrease in deferred outflows	16,766		16,766
Increase (decrease) in accounts payable	3,844	2,004	5,848
Increase (decrease) in accrued salaries payable	695		695
Increase (decrease) in compensated absences	2,695		2,695
Increase (decrease) in intergovernmental payable	(2,223)		(2,223)
Increase (decrease) in net pension liability	151,994		151,994
Increase (decrease) in due to other funds	(496)	381	(115)
Increase (decrease) in unearned revenues		1,898	1,898
Increase (decrease) in deferred inflows	(153,051)		(153,051)
Other income	11,428		11,428
Total adjustments	<u>\$1,031,915</u>	<u>\$3,293</u>	<u>\$1,035,208</u>
Net cash provided (used) by operating activities	<u>\$1,025,434</u>	<u>\$6,219</u>	<u>\$1,031,653</u>
Noncash investing, capital, and financing activities:			
Capital asset disposals	(\$311,424)		(\$311,424)
Change in fair value of investments	(184,379)		(184,379)

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Business Development for Fergus Falls
	<u> </u>
ASSETS	
Cash and cash equivalents	\$368,925
Interest receivable	<u>1,203</u>
Total assets	<u><u>\$370,128</u></u>
FIDUCIARY NET POSITION	
Restricted for:	
Other organizations	<u>\$370,128</u>
Total fiduciary net position	<u><u>\$370,128</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds			Total Custodial Funds
	Flexible Benefit	Business Development for Fergus Falls	Insurance Escrow	
ADDITIONS				
Insurance escrow proceeds			\$2,484	\$2,484
Investment earnings		(24,781)		(24,781)
Total additions		(\$24,781)	\$2,484	(\$22,297)
DEDUCTIONS				
Public safety			\$19,460	\$19,460
Economic development		1,948		1,948
Total deductions		\$1,948	\$19,460	\$21,408
Change in fiduciary net position		(\$26,729)	(\$16,976)	(\$43,705)
Fiduciary net position - beginning	\$15,833	\$396,857	\$16,976	\$429,666
Prior period adjustment	(15,833)			(15,833)
Fiduciary net position - beginning, as restated		\$396,857	\$16,976	\$413,833
Fiduciary net position - ending		\$370,128		\$370,128

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
PEG Access
December 31, 2022

	<u>Actual Amounts</u>
ASSETS	
Cash and cash equivalents	\$258,549
Receivables:	
Other	21,347
Prepaid items	<u>491</u>
Total assets	<u><u>\$280,387</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$540
Accrued salaries payable	947
Intergovernmental payable	<u>43</u>
Total liabilities	<u>\$1,530</u>
 Fund balance:	
Unassigned	<u>\$278,857</u>
Total liabilities and fund balance	<u><u>\$280,387</u></u>
 Adjustment to reflect capital assets of component unit:	
Cost of Capital Assets	\$202,518
Less: Accumulated depreciation	(200,894)
Adjustment to reflect noncurrent liabilities related to component unit	<u>(9,296)</u>
Net position of governmental activities - component unit - PEG Access	<u><u>\$271,185</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit
PEG Access
For the Year Ended December 31, 2022

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$105,806
Charges for services	952
Investment earnings	(15,605)
Other	99
	<hr/>
Total revenues	\$91,252
	<hr/>
EXPENDITURES	
Current:	
General government	\$74,707
	<hr/>
Total expenditures	\$74,707
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	\$16,545
	<hr/>
Net change in fund balances	\$16,545
Fund balance - beginning	262,312
	<hr/>
Fund balance - ending	\$278,857
	<hr/> <hr/>
Adjustments to reflect capital assets related to component unit:	
Depreciation expense	(\$18,272)
Adjustment to reflect the change in noncurrent liabilities related to component unit	47
	<hr/>
Change in net position of governmental activities - component unit - PEG Access	(\$1,680)
	<hr/> <hr/>

CITY OF FERGUS FALLS, MINNESOTA
Balance Sheet
Discretely Presented Component Unit
Fergus Falls Convention and Visitor's Bureau, Inc. (CVB)
December 31, 2022

	<u>Actual Amounts</u>
ASSETS	
Cash and cash equivalents	\$163,246
Receivables:	
Interest	532
Intergovernmental	32,417
Prepaid items	<u>324</u>
Total assets	<u><u>\$196,519</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$8,633
Accrued salaries payable	1,139
Intergovernmental payable	<u>51</u>
Total liabilities	<u>\$9,823</u>
Fund balance:	
Unassigned	<u>\$186,696</u>
Total liabilities and fund balance	<u><u>\$196,519</u></u>
Adjustment to reflect noncurrent liabilities related to component unit	<u>(373)</u>
Net position of governmental activities - component unit - CVB	<u><u>\$186,323</u></u>

CITY OF FERGUS FALLS, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit
Fergus Falls Convention and Visitor's Bureau, Inc. (CVB)
For the Year Ended December 31, 2022

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$193,736
Contributions	4,890
Investment earnings	<u>(7,068)</u>
Total revenues	<u>\$191,558</u>
EXPENDITURES	
Current:	
Community development	<u>\$153,468</u>
Total expenditures	<u>\$153,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$38,090</u>
Net change in fund balances	\$38,090
Fund balance - beginning	<u>148,606</u>
Fund balance - ending	<u><u>\$186,696</u></u>
Adjustment to reflect the change in noncurrent liabilities related to component unit	<u>4,175</u>
Change in net position of governmental activities - component unit - CVB	<u><u>\$42,265</u></u>

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Statistical Section

STATISTICAL SECTION

This part of the City of Fergus Falls' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	169
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	174
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	178
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	184
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	186

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

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CITY OF FERGUS FALLS, MINNESOTA
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$58,413,079	\$60,951,220	\$63,063,727	\$64,989,143	\$66,137,420	\$67,856,219	\$60,231,474	\$61,241,331	\$63,181,816	\$63,859,502
Restricted	6,616,357	6,619,989	6,889,755	6,979,269	6,664,003	6,849,816	7,751,389	8,420,628	8,551,623	9,790,722
Unrestricted	14,795,039	14,357,890	10,232,263	8,458,300	7,730,557	7,267,442	8,669,770	10,741,169	14,380,306	13,258,184
Total governmental activities net position	<u>\$79,824,475</u>	<u>\$81,929,099</u>	<u>\$80,185,745</u>	<u>\$80,426,712</u>	<u>\$80,531,980</u>	<u>\$81,973,477</u>	<u>\$76,652,633</u>	<u>\$80,403,128</u>	<u>\$86,113,745</u>	<u>\$86,908,408</u>
Business-type activities:										
Net investment in capital assets	\$31,614,438	\$31,278,978	\$31,091,257	\$32,610,325	\$32,274,452	\$31,546,787	\$32,084,209	\$31,732,617	\$31,558,733	\$32,024,118
Restricted	3,118,928	1,823,297	1,823,665	1,828,312	1,782,760	1,967,361	2,074,052	2,261,802	2,157,565	2,065,894
Unrestricted	14,427,883	16,765,977	15,476,907	15,905,018	16,700,345	18,031,458	19,266,494	21,876,703	23,334,325	23,686,659
Total business-type activities net position	<u>\$49,161,249</u>	<u>\$49,868,252</u>	<u>\$48,391,829</u>	<u>\$50,343,655</u>	<u>\$50,757,557</u>	<u>\$51,545,606</u>	<u>\$53,424,755</u>	<u>\$55,871,122</u>	<u>\$57,050,623</u>	<u>\$57,776,671</u>
Primary government:										
Net investment in capital assets	\$90,027,517	\$92,230,198	\$94,154,984	\$97,599,468	\$98,411,872	\$99,403,006	\$92,315,683	\$92,973,948	\$94,740,549	\$95,555,580
Restricted	9,735,285	8,443,286	8,713,420	8,807,581	8,446,763	8,817,177	9,825,441	10,682,430	10,709,188	11,856,616
Unrestricted	29,222,922	31,123,867	25,709,170	24,363,318	24,430,902	25,298,900	27,936,264	32,617,872	37,714,631	37,272,883
Total primary government net position	<u>\$128,985,724</u>	<u>\$131,797,351</u>	<u>\$128,577,574</u>	<u>\$130,770,367</u>	<u>\$131,289,537</u>	<u>\$133,519,083</u>	<u>\$130,077,388</u>	<u>\$136,274,250</u>	<u>\$143,164,368</u>	<u>\$144,685,079</u>

CITY OF FERGUS FALLS, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
EXPENSES:										
Governmental activities:										
General government	\$1,889,345	\$1,945,454	\$2,065,828	\$2,458,631	\$2,462,045	\$2,461,445	\$2,346,537	\$2,367,778	\$2,278,776	\$2,835,798
Public safety	3,427,710	3,570,174	3,882,416	5,146,674	4,654,752	4,381,379	4,732,107	5,390,190	4,223,211	5,384,525
Streets and highways	3,106,076	3,205,119	3,150,581	3,487,895	3,813,044	3,732,304	5,956,562	3,947,363	3,604,589	4,386,605
Sanitation	76,504	69,158	75,716	77,672	82,683	85,516	48,671	43,650	39,876	49,016
Airport	338,534	503,714	374,736	360,852	383,767	387,634	390,983	401,828	455,053	500,269
Culture and recreation	2,843,327	3,051,367	3,111,232	3,180,026	3,393,503	3,495,200	3,756,250	3,354,503	3,619,536	4,549,495
Community development	226,661	203,259	297,854	398,289	346,735	223,862	295,167	263,089	303,216	389,485
Economic development	1,173,394	680,921	826,405	1,403,907	950,161	2,164,545	2,779,698	1,219,034	1,011,599	996,509
Interest on long-term debt	484,984	436,492	425,252	254,802	224,228	339,920	336,125	470,878	258,834	247,061
Total governmental activities expenses	\$13,566,535	\$13,665,658	\$14,210,020	\$16,768,748	\$16,310,918	\$17,271,805	\$20,642,100	\$17,458,313	\$15,794,690	\$19,338,763
Business-type activities:										
Waste Management	\$2,415,188	\$2,338,344	\$2,203,484	\$2,560,498	\$2,639,303	\$2,752,991	\$3,055,260	\$3,141,171	\$3,050,271	\$3,243,053
Liquor Store	4,919,289	4,946,859	5,070,033	5,217,008	5,332,113	5,410,891	5,561,035	6,488,734	6,236,844	6,295,130
Sewage Disposal	2,075,806	2,074,351	2,081,176	2,123,459	2,132,753	1,830,671	1,895,252	1,883,245	1,891,615	1,972,975
Water Department	1,838,555	1,712,404	1,611,978	1,676,935	1,648,924	1,916,439	1,767,086	1,733,887	1,802,895	1,988,943
Storm Water	369,743	338,483	394,296	406,506	413,835	384,714	430,426	438,546	404,799	519,251
Total business-type activities expenses	\$11,618,581	\$11,410,441	\$11,360,967	\$11,984,406	\$12,166,928	\$12,295,706	\$12,709,059	\$13,685,583	\$13,386,424	\$14,019,352
Total primary government expenses	\$25,185,116	\$25,076,099	\$25,570,987	\$28,753,154	\$28,477,846	\$29,567,511	\$33,351,159	\$31,143,896	\$29,181,114	\$33,358,115
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government	\$778,335	\$174,449	\$265,012	\$350,305	\$234,152	\$196,565	\$217,604	\$205,981	\$266,156	\$290,055
Public safety	319,863	336,394	418,966	453,853	443,685	401,031	447,838	525,877	486,142	609,288
Streets and highways	46,245	39,540	38,908	36,142	40,190	43,943	56,030	43,576	44,861	54,197
Sanitation	250	1,025	1,269	2,779	4,535	1,797	6,046	6,652	2,506	9,864
Airport	33,968	33,241	27,023	25,262	29,866	33,298	30,974	29,258	130,828	41,233
Culture and recreation	591,280	609,416	614,258	642,284	646,634	656,091	639,777	496,431	640,294	829,869
Community development	8,500	8,500	8,500	8,500	8,500	18,500	8,500	8,500	8,500	8,500
Economic development	652,650	661,848	680,867	494,938	332,306	393,624	434,153	530,024	457,693	470,883
Operating grants and contributions	762,592	818,403	873,243	1,037,581	1,380,442	2,200,028	1,030,504	2,132,844	1,379,154	1,279,203
Capital grants and contributions	3,260,932	1,806,345	1,287,332	3,778,915	1,571,409	2,042,179	6,175,745	2,865,669	3,950,636	4,287,334
Total governmental activities program revenues	\$6,454,615	\$4,489,161	\$4,215,378	\$6,830,559	\$4,691,719	\$5,987,056	\$9,047,171	\$6,844,812	\$7,366,770	\$7,880,426

(Continued)

**Table 2
(Continued)**

**CITY OF FERGUS FALLS, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Business-type activities:										
Charges for services:										
Waste Management	\$2,390,522	\$2,540,157	\$2,580,556	\$2,785,653	\$3,078,737	\$3,108,981	\$3,244,571	\$3,487,852	\$3,529,247	\$3,847,494
Liquor Store	5,563,223	5,571,765	5,688,653	5,807,612	5,932,434	6,171,342	6,321,527	7,575,587	7,390,394	7,320,491
Sewage Disposal	2,109,988	2,147,054	2,048,795	2,260,595	2,294,721	2,310,245	2,488,495	2,339,699	2,184,538	2,247,720
Water Department	1,833,430	1,958,061	2,116,840	2,228,269	2,272,512	2,302,974	2,419,541	2,577,360	2,829,722	2,793,858
Storm Water	407,090	438,633	478,279	496,032	539,298	549,744	590,062	641,082	652,482	647,706
Total business-type activities program revenues	<u>\$12,304,253</u>	<u>\$12,655,670</u>	<u>\$12,913,123</u>	<u>\$13,578,161</u>	<u>\$14,117,702</u>	<u>\$14,443,286</u>	<u>\$15,064,196</u>	<u>\$16,621,580</u>	<u>\$16,586,383</u>	<u>\$16,857,269</u>
Total primary government program revenues	<u>\$18,758,868</u>	<u>\$17,144,831</u>	<u>\$17,128,501</u>	<u>\$20,408,720</u>	<u>\$18,809,421</u>	<u>\$20,430,342</u>	<u>\$24,111,367</u>	<u>\$23,466,392</u>	<u>\$23,953,153</u>	<u>\$24,737,695</u>
NET (EXPENSE) REVENUE:										
Governmental activities	(\$7,111,920)	(\$9,176,497)	(\$9,994,642)	(\$9,938,189)	(\$11,619,199)	(\$11,284,749)	(\$11,594,929)	(\$10,613,501)	(\$8,427,920)	(\$11,458,337)
Business-type activities	685,672	1,245,229	1,552,156	1,593,755	1,950,774	2,147,580	2,355,137	2,935,997	3,199,959	2,837,917
Total primary government net (expense) revenue	<u>(\$6,426,248)</u>	<u>(\$7,931,268)</u>	<u>(\$8,442,486)</u>	<u>(\$8,344,434)</u>	<u>(\$9,668,425)</u>	<u>(\$9,137,169)</u>	<u>(\$9,239,792)</u>	<u>(\$7,677,504)</u>	<u>(\$5,227,961)</u>	<u>(\$8,620,420)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Taxes:										
Property taxes	\$4,738,389	\$4,672,685	\$4,950,087	\$5,262,003	\$5,602,836	\$5,999,619	\$6,372,652	\$6,627,148	\$6,597,663	\$7,154,288
Local option sales tax	1,205,315	1,254,844	1,233,022	1,287,047		1,312,194	1,354,084	1,430,063	1,560,963	1,265,431
Lodging taxes	145,852	161,678	152,642	147,245	141,028	143,020	138,668	90,992	138,801	169,686
Tax increments	111,367	126,185	135,623	104,408	139,249	198,127	216,458	257,208	235,289	242,576
Unrestricted intergovernmental revenues	3,566,394	3,623,637	3,633,688	3,638,476	3,640,798	3,673,440	3,675,370	3,765,510	3,801,491	3,809,974
Unrestricted investment earnings	(74,564)	415,185	215,405	203,981	297,797	254,281	676,972	602,071	(95,456)	(884,915)
Gain on sale of capital assets				12,766	9,402	12,280	4,279	39,995		32,810
Special item			337,014	(322,476)			(7,641,790)			
Transfers	809,231	1,026,907	1,328,249	(154,294)	1,893,357	1,565,393	1,477,392	1,551,009	1,899,786	520,301
Total governmental activities	<u>\$10,501,984</u>	<u>\$11,281,121</u>	<u>\$11,985,730</u>	<u>\$10,179,156</u>	<u>\$11,724,467</u>	<u>\$13,158,354</u>	<u>\$6,274,085</u>	<u>\$14,363,996</u>	<u>\$14,138,537</u>	<u>\$12,310,151</u>
Business-type activities:										
Unrestricted investment earnings	(\$128,296)	\$488,681	\$225,582	\$203,777	\$356,485	\$336,035	\$1,001,404	\$1,061,379	(\$155,914)	(\$1,592,041)
Gain on sale of capital assets										473
Special item			(300,000)						35,242	
Transfers	(809,231)	(1,026,907)	(1,328,249)	154,294	(1,893,357)	(1,565,393)	(1,477,392)	(1,551,009)	(1,899,786)	(520,301)
Total business-type activities	<u>(\$937,527)</u>	<u>(\$538,226)</u>	<u>(\$1,402,667)</u>	<u>\$358,071</u>	<u>(\$1,536,872)</u>	<u>(\$1,229,358)</u>	<u>(\$475,988)</u>	<u>(\$489,630)</u>	<u>(\$2,020,458)</u>	<u>(\$2,111,869)</u>
Total primary government	<u>\$9,564,457</u>	<u>\$10,742,895</u>	<u>\$10,583,063</u>	<u>\$10,537,227</u>	<u>\$10,187,595</u>	<u>\$11,928,996</u>	<u>\$5,798,097</u>	<u>\$13,874,366</u>	<u>\$12,118,079</u>	<u>\$10,198,282</u>
CHANGE IN NET POSITION:										
Government activities	\$3,390,064	\$2,104,624	\$1,991,088	\$240,967	\$105,268	\$1,873,605	(\$5,320,844)	\$3,750,495	\$5,710,617	\$851,814
Business-type activities	(251,855)	707,003	149,489	1,951,826	413,902	918,222	1,879,149	2,446,367	1,179,501	726,048
Total primary government	<u>\$3,138,209</u>	<u>\$2,811,627</u>	<u>\$2,140,577</u>	<u>\$2,192,793</u>	<u>\$519,170</u>	<u>\$2,791,827</u>	<u>(\$3,441,695)</u>	<u>\$6,196,862</u>	<u>\$6,890,118</u>	<u>\$1,577,862</u>

CITY OF FERGUS FALLS, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund:										
Nonspendable	\$435,429	\$440,267	\$491,482	\$175,646	\$150,706	\$163,928	\$177,927	\$202,355	\$234,930	\$159,609
Restricted	997,622	878,612	948,828	1,090,979	1,140,596	2,252,268	2,140,762	2,781,052	2,065,517	1,127,060
Assigned	1,419,235	1,333,450	1,393,510	1,193,283	1,104,038	972,496	1,080,260	1,171,134	1,319,487	1,519,680
Unassigned	3,824,758	3,823,862	4,246,697	4,624,482	4,700,345	4,783,684	5,259,736	6,031,039	6,553,239	5,878,243
Total General Fund	<u>\$6,677,044</u>	<u>\$6,476,191</u>	<u>\$7,080,517</u>	<u>\$7,084,390</u>	<u>\$7,095,685</u>	<u>\$8,172,376</u>	<u>\$8,658,685</u>	<u>\$10,185,580</u>	<u>\$10,173,173</u>	<u>\$8,684,592</u>
All Other Governmental Funds										
Nonspendable	\$28,075	\$28,075	\$28,075	\$14,301	\$14,301	\$14,301	\$14,989	\$14,301	\$16,299	\$24,975
Restricted	6,021,097	5,989,023	5,976,461	5,892,809	11,938,437	5,342,900	5,673,179	6,114,513	6,506,683	6,148,551
Committed	316,713	317,992	397,823	436,743	495,255	458,875	505,972	563,160	624,059	514,826
Assigned	6,261,647	5,877,145	5,178,442	4,659,401	4,843,250	4,851,756	4,970,512	5,279,310	6,931,261	6,571,385
Total All Other Governmental Funds	<u>\$12,627,532</u>	<u>\$12,212,235</u>	<u>\$11,580,801</u>	<u>\$11,003,254</u>	<u>\$17,291,243</u>	<u>\$10,667,832</u>	<u>\$11,164,652</u>	<u>\$11,971,284</u>	<u>\$14,078,302</u>	<u>\$13,259,737</u>

CITY OF FERGUS FALLS, MINNESOTA
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES:										
Taxes	\$6,216,341	\$6,212,720	\$6,464,130	\$6,770,654	\$5,846,387	\$7,623,925	\$8,112,312	\$8,384,683	\$8,573,030	\$8,803,050
Special assessments	676,623	572,685	472,552	460,754	630,675	411,971	584,418	361,151	474,217	252,146
Licenses and permits	117,531	133,989	195,553	172,476	196,625	127,783	200,112	182,754	225,777	333,921
Intergovernmental	6,059,183	5,379,180	4,892,534	7,464,860	5,081,759	6,138,292	9,812,734	8,248,877	8,347,374	6,893,338
Charges for services	1,317,056	826,534	874,392	996,899	979,992	1,024,319	977,258	933,269	1,027,672	1,237,498
Fines and forfeits	122,560	115,751	118,317	127,490	103,251	94,957	105,731	109,761	87,912	71,155
Contributions	706,562	516,543	338,356	419,622	1,046,432	766,662	164,667	153,346	432,396	647,521
Investment earnings	(74,822)	372,377	187,460	189,470	264,785	231,894	597,714	509,790	(78,258)	(748,387)
Other interest income	250,897	236,151	217,811	188,338	185,717	194,109	193,109	124,804	115,687	112,239
Rent	606,695	611,144	634,274	388,329	289,731	312,443	357,222	445,243	501,423	519,722
Other	207,002	195,736	149,069	251,661	131,769	397,268	144,304	127,950	201,123	93,394
Total revenues	\$16,205,628	\$15,172,810	\$14,544,448	\$17,430,553	\$14,757,123	\$17,323,623	\$21,249,581	\$19,581,628	\$19,908,353	\$18,215,597
EXPENDITURES:										
Current:										
General government	\$1,649,562	\$1,718,270	\$1,818,839	\$2,075,846	\$2,113,925	\$2,126,948	\$2,076,492	\$2,135,300	\$2,062,382	\$2,363,398
Public safety	3,280,824	3,454,271	3,555,536	3,800,798	4,099,153	4,277,152	4,465,508	5,476,974	4,624,077	5,127,677
Streets and highways	1,891,081	2,008,043	1,887,913	2,211,386	2,582,236	2,379,285	4,608,073	2,886,159	2,586,972	3,064,613
Sanitation	76,383	70,667	77,809	77,525	81,274	84,083	48,901	46,762	42,803	47,950
Airport	186,158	187,842	205,451	194,026	208,939	205,063	209,516	219,906	255,779	281,105
Culture and recreation	2,270,446	2,421,199	2,469,304	2,572,279	2,666,858	2,864,657	2,988,008	2,518,129	2,765,558	3,307,354
Community development	226,661	203,259	297,833	399,052	346,735	223,765	301,302	269,338	303,489	379,749
Economic development	528,922	570,156	601,899	1,387,474	882,133	2,005,862	2,639,380	1,084,010	848,506	738,865
Debt service:										
Principal	3,337,074	3,303,801	4,958,651	2,836,451	1,243,895	1,894,780	2,994,216	2,085,061	1,956,201	1,952,584
Interest	564,330	458,395	389,737	283,626	232,704	400,160	363,656	467,599	417,561	362,271
Other	990	4,585	61,408	4,090	1,415	7,250	1,485	110,206	2,356	2,491
Capital Outlay	4,561,146	2,692,000	1,684,350	3,952,613	3,488,853	8,063,490	4,853,504	2,470,722	6,119,362	6,450,935
Total expenditures	\$18,573,577	\$17,092,488	\$18,008,730	\$19,795,166	\$17,948,120	\$24,532,495	\$25,550,041	\$19,770,166	\$21,985,046	\$24,078,992
Excess (deficit) of revenues over (under) expenditures	<u>(\$2,367,949)</u>	<u>(\$1,919,678)</u>	<u>(\$3,464,282)</u>	<u>(\$2,364,613)</u>	<u>(\$3,190,997)</u>	<u>(\$7,208,872)</u>	<u>(\$4,300,460)</u>	<u>(\$188,538)</u>	<u>(\$2,076,693)</u>	<u>(\$5,863,395)</u>
OTHER FINANCING SOURCES (USES):										
Transfers in	\$4,810,295	\$5,124,349	\$4,710,866	\$4,471,986	\$4,415,608	\$3,477,355	\$2,599,916	\$2,409,119	\$3,067,833	\$3,127,293
Transfers out	(3,822,811)	(3,822,709)	(3,186,175)	(2,803,706)	(2,351,789)	(1,892,396)	(1,037,352)	(703,240)	(962,726)	(1,366,470)
Insurance recoveries			45,747	108,323						
Installment purchase contract				336,812		76,591				
General obligation bonds issued			1,830,000		7,055,000		3,580,000	666,124	2,060,293	1,753,318
Refunding bonds issued								5,245,000		
Premium on general obligation bonds issued			28,426		357,996		141,025	608,862	5,204	26,275
Payment of refunded bonds								(5,705,000)		
Sale of capital assets	11,358	1,888	8,310		13,466			1,200	700	
Total other financing sources (uses)	\$998,842	\$1,303,528	\$3,437,174	\$2,113,415	\$9,490,281	\$1,661,550	\$5,283,589	\$2,522,065	\$4,171,304	\$3,540,416
Special item - golf course loan				(\$322,476)						
Net change in fund balances	<u>(\$1,369,107)</u>	<u>(\$616,150)</u>	<u>(\$27,108)</u>	<u>(\$573,674)</u>	<u>\$6,299,284</u>	<u>(\$5,547,322)</u>	<u>\$983,129</u>	<u>\$2,333,527</u>	<u>\$2,094,611</u>	<u>(\$2,322,979)</u>
Debt service as a percentage of noncapital expenditures	25.96%	25.16%	31.93%	17.73%	10.08%	13.76%	16.11%	14.78%	14.74%	12.24%

Table 5

CITY OF FERGUS FALLS, MINNESOTA
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Powerline	Less: Tax Increment Property	Net Taxable Tax Capacity	Taxable Market Value	Direct City Tax Rate	Taxable Tax Capacity as a Percentage of Taxable Market Value
2013	\$4,925,841	\$3,386,972	\$1,075,197		\$98,742	\$9,289,268	\$717,581,400	51.19%	1.29%
2014	4,937,421	3,476,063	1,208,267		115,568	9,506,183	729,879,400	49.86%	1.30%
2015	4,939,965	3,311,358	1,276,113	595	114,954	9,411,887	725,690,100	52.96%	1.30%
2016	5,114,076	3,400,461	1,233,543	1,478	89,236	9,657,366	744,579,100	54.83%	1.30%
2017	5,455,437	3,416,866	1,331,135	1,592	117,849	10,083,997	783,410,400	55.55%	1.29%
2018	5,782,815	3,494,625	1,340,012	1,631	135,181	10,480,640	819,457,600	57.82%	1.28%
2019	6,205,615	3,528,159	1,432,921	1,527	178,023	10,987,145	870,256,200	58.60%	1.26%
2020	6,516,903	3,593,880	1,406,024	1,495	210,573	11,304,739	902,160,900	58.25%	1.25%
2021	7,032,544	3,557,252	1,482,210	1,520	207,511	11,862,975	955,329,100	55.49%	1.24%
2022	7,341,725	3,588,133	1,283,679	1,408	217,106	11,995,023	977,889,600	58.53%	1.23%

Source: Otter Tail County

Table 6

CITY OF FERGUS FALLS, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate			ISD #544	Otter Tail County	HRA	Port Authority
	Operating Rate	Debt Service Rate	Total Direct Rate				
2013	42.01	9.18	51.19	25.40	40.84	1.45	-
2014	41.36	8.50	49.86	19.83	41.13	1.44	-
2015	44.72	8.24	52.96	22.85	40.72	1.63	-
2016	48.48	6.35	54.83	22.71	41.33	1.62	-
2017	49.51	6.04	55.55	22.62	41.07	1.61	-
2018	52.00	5.82	57.82	22.33	41.50	1.61	-
2019	53.21	5.39	58.60	22.62	40.79	1.62	-
2020	52.60	5.65	58.25	22.36	41.13	1.63	0.66
2021	50.34	5.16	55.49	19.82	40.06	1.63	0.51
2022	52.42	6.11	58.53	18.01	40.37	1.65	0.50

Source: Otter Tail County

Note: Tax rates are based on taxable tax capacity

Table 7

**CITY OF FERGUS FALLS, MINNESOTA
Principal Taxpayers
Current Year and Nine Years Ago**

Taxpayer	Type of Business	2022			2013		
		2021/2022 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	2012/2013 Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
Otter Tail Power Company	Public Utility	\$1,002,034	1	8.20%	\$993,459	1	10.58%
Lake Region Healthcare Corp.	Healthcare	190,499	2	1.56%	82,152	7	0.88%
Great Plains Natural Gas Co.	Public Utility	142,464	3	1.17%			0.00%
FFFFMN001 LLC	Commercial	128,148	4	1.05%			0.00%
Walmart Real Estate Bus Tst	Retail Discount Store	109,172	5	0.89%	119,428	3	1.27%
LRH Medical Properties LLC	Healthcare	97,366	6	0.80%	112,820	4	1.20%
Sunset Ridge Apts of FF LLP	Housng	95,779	7	0.78%			0.00%
Sterling Offc & Ind Prop LLLP	Industrial	89,810	8	0.74%			0.00%
Home Depot USA Inc.	Retail Discount Store	81,446	9	0.67%	95,136	5	1.01%
Stetson Village Apartments LLC	Retail Discount Store	66,716	10	0.55%			0.00%
Mills Properties Inc.	Retail Discount Store			0.00%	155,128	2	1.65%
SMR Acquisition LLC	Industrial			0.00%	89,791	6	0.96%
Westridge Mall LTD Partnership	Shopping Mall			0.00%	80,258	8	0.85%
GKL Properties LLC	Industrial			0.00%	65,948	9	0.70%
Dirkmann Perry Real Estate PTR	Industrial			0.00%	65,016	10	0.69%
		<u>\$2,003,434</u>		<u>16.40%</u>	<u>\$1,859,136</u>		<u>19.80%</u>

Source: Otter Tail County

Table 8

CITY OF FERGUS FALLS, MINNESOTA
Property Tax Levies and Collections
Last Ten Fiscal Years

Year Collected	Tax Levy	Collected within the Year of the Levy					Tax Collection to Date		
		Current Year Additions/ Abatements	Subsequent Year Additions/ Abatements	Adjusted Levy	Current Year Collections	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2013	\$4,701,492	\$22,917	(\$2,758)	\$4,721,651	\$4,675,380	98.96%	\$45,346	\$4,720,727	99.98%
2014	4,701,304	(16,762)	(997)	4,683,545	4,638,652	99.02%	44,349	4,683,001	99.99%
2015	4,932,384	(88)	7,441	4,939,737	4,868,368	98.70%	50,656	4,919,024	99.58%
2016	5,238,001	8,582	(7,601)	5,238,982	5,175,821	98.65%	51,270	5,227,091	99.77%
2017	5,601,173	(8,489)	8,966	5,601,650	5,524,886	98.79%	75,699	5,600,585	99.98%
2018	5,977,955	(1,334)	6,862	5,983,483	5,894,936	98.63%	86,956	5,981,892	99.97%
2019	6,366,530	(3,343)	4,382	6,367,570	6,310,088	99.17%	54,777	6,364,865	99.96%
2020	6,529,647	1,326	(17,045)	6,513,928	6,461,723	98.94%	46,230	6,507,953	99.91%
2021	6,544,588	(724)	11,132	6,554,996	6,468,492	98.85%	73,067	6,541,560	99.80%
2022	6,998,322	(1,025)	0	6,997,297	6,873,716	98.23%	0	6,873,716	98.23%

Note: The above data includes abatements and additions, but does not include tax increment districts.

Source: Otter Tail County

Tax Levy = Spread Levy

CITY OF FERGUS FALLS, MINNESOTA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities							
	General Obligation Bonds	G.O. Tax Increment Bonds	G.O. Revenue Bonds	G.O. Improvement Bonds	G.O. Port Authority Bonds	G.O. Certificates of Indebtedness	Notes and Contracts Payable	Lease Liability
2013	\$4,990,000			\$13,698,258		\$38,000	\$670,501	
2014	3,260,000			12,237,392		19,000	555,700	
2015	1,600,000			10,899,952			451,044	
2016				9,805,027			621,405	
2017			7,412,996	8,832,966			332,510	
2018			6,533,330	7,908,946			244,321	
2019			4,463,664	7,872,310	2,813,644		190,105	
2020			3,313,998	7,066,631	3,018,147	449,903	140,044	
2021			2,129,332	6,288,353	5,027,023	419,358	88,843	
2022		1,696,275	959,666	5,535,074	5,033,185	373,813	36,447	115,909

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Demographic and Economic Statistics on Table 14 for personal income data.
- (2) See the Schedule of Demographic and Economic Statistics on Table 14 for population data.

Table 9

Business-type Activities					
G.O. Revenue Bonds	Revenue Bonds	Notes and Contracts Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
\$5,593,719	\$515,000	\$104,531	\$25,610,009	8.29%	1,936
5,216,239	395,000	76,021	21,759,352	7.03%	1,637
3,161,939	270,000	46,436	16,429,371	4.97%	1,237
2,840,853	140,000	15,733	13,423,018	3.74%	992
2,629,768			19,208,240	4.81%	1,383
3,610,348			18,296,945	4.66%	1,330
5,727,119			21,066,842	5.30%	1,530
5,469,848			19,458,571	4.76%	1,414
5,094,968			19,047,877	4.48%	1,349
4,665,088			18,415,457	4.13%	1,311

CITY OF FERGUS FALLS, MINNESOTA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-type Activities	Less: Net Postion Restricted for Debt Service	Total	Percentage of Taxable Market Value of Property	Per Capita (1)
	General Obligation Bonds	G.O. Tax Increment Bonds	G.O. Revenue Bonds	G.O. Improvement Bonds	G.O. Port Authority Bonds	G.O. Certificates of Indebtedness	G.O. Revenue Bonds				
2013	\$4,990,000			\$13,698,258		\$38,000	\$5,593,719	\$257,272	\$24,062,705	3.35%	1,819
2014	3,260,000			12,237,392		19,000	5,216,239	256,488	20,476,143	2.81%	1,540
2015	1,600,000			10,899,952			3,161,939	247,236	15,414,655	2.12%	1,161
2016				9,805,027			2,840,853	197,757	12,448,123	1.67%	920
2017			7,412,996	8,832,966			2,629,768	39,934	18,835,796	2.40%	1,356
2018			6,533,330	7,908,946			3,610,348	407,696	17,644,928	2.15%	1,283
2019			4,463,664	7,872,310	2,813,644		5,727,119	610,683	20,266,054	2.33%	1,472
2020			3,313,998	7,066,631	3,018,147	449,903	5,469,848	809,638	18,508,889	2.05%	1,345
2021			2,129,332	6,288,353	5,027,023	419,358	5,094,968	1,106,924	17,852,110	1.87%	1,264
2022		1,696,275	959,666	5,535,074	5,033,185	373,813	4,665,088	3,813,583	14,449,518	1.48%	1,029

(1) See Schedule of Demographic and Economic Statistics on Table 14 for population data.

CITY OF FERGUS FALLS, MINNESOTA
Direct and Overlapping Governmental Activities Debt
December 31, 2022

	Debt Outstanding	Percentage Applicable to City of Fergus Falls (1)	Amount Applicable to City of Fergus Falls
City of Fergus Falls direct debt	\$13,750,369	100.00%	\$13,750,369
ISD #544	12,185,000	50.08%	6,102,248
Otter Tail County	52,905,000	10.05%	5,316,953
Subtotal, overlapping debt	<u>\$65,090,000</u>		<u>\$11,419,201</u>
Total Direct and Overlapping Debt	<u><u>\$78,840,369</u></u>		<u><u>\$25,169,570</u></u>

Source: Debt outstanding data and percentage applicable to the City provided by Otter Tail County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fergus Falls. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable to the City of Fergus Falls is estimated using net tax capacity values. Applicable percentages were established by determining the portion of the City's net tax capacity value that is within the County's boundaries and dividing it by the County's total net tax capacity value.

CITY OF FERGUS FALLS, MINNESOTA
Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit 3% of estimated market value	\$21,527,442	\$21,896,382	\$21,770,703	\$22,337,373	\$23,502,312	\$24,583,728	\$26,107,686	\$27,064,827	\$28,659,873	\$29,336,688
Total net debt applicable to limit	<u>6,462,057</u>	<u>6,227,001</u>	<u>5,901,059</u>	<u>5,595,174</u>	<u>5,285,482</u>	<u>4,972,904</u>	<u>4,640,633</u>	<u>4,836,856</u>	<u>4,485,778</u>	<u>4,111,968</u>
Legal debt margin	<u>\$15,065,385</u>	<u>\$15,669,381</u>	<u>\$15,869,644</u>	<u>\$16,742,199</u>	<u>\$18,216,830</u>	<u>\$19,610,824</u>	<u>\$21,467,053</u>	<u>\$22,227,971</u>	<u>\$24,174,095</u>	<u>\$25,224,720</u>
Total net debt applicable to the limit as a percentage of debt limit	30.02%	28.44%	27.11%	25.05%	22.49%	20.23%	17.77%	17.87%	15.65%	14.02%

Legal Debt Margin Calculation for Fiscal Year 2022

Taxable market value	\$977,889,600
Debt limit (3% of total assessed value)	29,336,688
Debt applicable to limit:	
General obligation debt	4,151,895
Less: Amount set aside for repayment of general obligation debt	<u>(39,927)</u>
Total net debt applicable to limit	<u>\$4,111,968</u>
Legal debt margin	<u>\$25,224,720</u>

CITY OF FERGUS FALLS, MINNESOTA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Liquor Store Bonds						
Fiscal Year	Operating Revenues and Gross Profit	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$1,606,415	\$934,300	\$672,115	\$115,000	\$32,550	4.56
2014	1,590,319	943,274	647,045	120,000	26,607	4.41
2015	1,644,143	1,009,272	634,871	125,000	20,390	4.37
2016	1,643,021	1,049,392	593,629	130,000	13,744	4.13
2017	1,725,420	1,129,070	596,350	140,000	6,810	4.06
2018	1,835,469	1,083,370	752,099			
2019	1,883,770	1,138,843	744,927			
2020	2,299,016	1,218,297	1,080,719			
2021	2,311,765	1,163,527	1,148,238			
2022	2,333,810	1,319,097	1,014,713			

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. The bonds were paid in full as of December 31, 2017.

CITY OF FERGUS FALLS, MINNESOTA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>	<u>Per Capita Income (4)</u>	<u>Total Employment (5)</u>
2013	13,228	\$325,765,956	2,687	5.30%	\$24,627	10,036
2014	13,295	331,125,270	2,724	5.00%	24,906	10,106
2015	13,280	352,451,200	2,826	3.90%	26,540	10,107
2016	13,528	374,238,592	3,000	4.40%	27,664	10,104
2017	13,892	396,602,708	3,195	3.70%	28,549	10,037
2018	13,754	392,662,946	3,750	4.40%	28,549	10,009
2019	13,766	397,837,400	3,421	4.20%	28,900	9,980
2020	13,766	408,616,178	3,200	5.20%	29,683	9,334
2021	14,119	425,123,090	2,993	3.00%	30,110	9,406
2022	14,042	445,650,954	2,828	3.40%	31,737	9,402

(1) State Demographer

(2) Annual school census, ISD #544 including iQ Academy

(3) Minnesota Department of Employment and Economic Development - Local Area Unemployment Statistics (LAUS)

(4) U.S. Census

(5) Minnesota Department of Employment and Economic Development - Quarterly Census of Employment and Wages (QCEW)

CITY OF FERGUS FALLS, MINNESOTA
Principal Employers
Current Year and Nine Years Ago

Employer	Type of Business	2022			2013		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lake Region Healthcare Corporation	Hospital	835	1	8.88%	811	1	8.08%
ISD #544	Education	418	2	4.44%	338	4	3.37%
Otter Tail County	Government	396	3	4.21%	351	3	3.50%
Otter Tail Power Company	Public Utility	340	4	3.61%	387	2	3.86%
Pioneer Home	Nursing Home	215	5	1.95%	304	5	3.03%
Veterans Home	Nursing Home	194	6	2.29%	195	7	1.94%
City of Fergus Falls	Municipality	192	7	2.06%	179	9	1.78%
LB Homes	Nursing Home	183	8	2.04%	298	6	2.97%
Northern Contours	Manufacturing	161	9	1.71%	192	8	1.91%
Productive Alternatives	Vocational Rehab. Service	157	10	1.67%	147	10	1.46%
Total Employment		3,091		32.86%	3,202		31.91%

Source: City of Fergus Falls Community Development data

CITY OF FERGUS FALLS, MINNESOTA
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government:										
Administration	2	2	2	2	2	2	2	2	2	3
Finance	7	7	7	7	7	7	7	7	7	7
Data processing	2	2	2	2	2	2	2	2	2	2
Human resources	2	2	2	2	2	2	2	2	2	2
Planning and zoning	1	1	1	1	1	1	1	0	1	0
General government buildings	2	2	2	2	2	2	2	2	2	2
Economic development			1	1	2	1	1	1	1	1
Other	11	11	11	11	11	11	12	11	10	11
Public Safety:										
Police:										
Licensed	23	23	23	23	23	24	24	23	24	23
Other	5	5	6	6	6	6	6	6	6	6
Fire:										
Chief/Inspector/Training & Safety	3	3	3	3	3	3	3	3	3	3
Building/Zoning Administrator	1	2	3	3	3	3	3	2	2	2
Public Works:										
Engineering/GIS	5	6	6	5	6	6	6	6	6	6
Street	10	11	11	11	11	11	11	11	11	11
Shop	5	5	5	5	5	5	5	4	4	4
Park and Recreation	10	10	10	10	11	11	11	10	10	10
Subtotal	89	92	95	94	97	97	98	92	93	93
Waste Management	10	9	9	9	9	9	9	9	9	9
Liquor Store	11	10	10	11	12	13	12	13	14	14
Sewage Disposal	6	6	6	6	6	6	6	6	6	6
Water Department	7	7	7	7	7	7	7	6	6	6
Subtotal	34	32	32	33	34	35	34	34	35	35
Total	123	124	127	127	131	132	132	126	128	128

Source: Departments of the City

Table 17

CITY OF FERGUS FALLS, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government:										
Planning:										
Number of case files	25	26	34	33	24	21	23	24	21	21
Number of plats filed	1	2	5	3	0	7	5	3	4	4
Public Safety:										
Police:										
Physical arrests	726	789	787	715	751	1,318	757	1,300	903	829
Citations	1,331	1,237	1,248	1,291	1,342	441	420	457	480	553
Calls for service	11,881	12,760	12,977	13,455	17,096	12,275	12,863	11,305	10,982	11,474
Fire:										
Calls for service	234	211	198	190	223	232	341	291	270	321
Building Official:										
Building permits issued	273	280	302	301	305	291	295	345	339	372
Single family homes permitted	9	4	14	14	7	8	16	35	16	14
Public Works:										
Street:										
Miles of roadway	116.06	116.05	115.82	118.64	118.64	118.71	118.71	119.89	119.12	122.01
Library:										
Physical volumes in collection	65,567	65,381	63,784	64,939	60,459	65,223	66,537	67,182	68,686	76,913
Total physical volumes borrowed	225,992	224,699	222,327	224,999	215,731	205,236	220,718	151,135	183,088	193,402
Digital volumes in collection	4,285	4,640	6,326	6,845	5,569	7,796	7,230	10,226	20,601	24,533
Total digital volumes borrowed	8,396	9,836	13,695	13,792	14,951	19,166	21,307	25,815	23,329	33,414
Park and Recreation:										
Program participants	5,380	5,472	6,472	8,056	7,345	9,920	6,826	450	6,690	6,707
Public Utilities:										
Waste Management:										
Number of accounts	4,586	4,591	4,634	4,704	4,714	4,754	4,779	4,826	4,843	4,870
Sewage Disposal:										
Number of accounts	4,713	4,733	4,761	4,747	4,768	4,773	4,799	4,860	4,895	4,921
Millions of gallons processed	686.20	669.78	585.60	605.08	643.84	593.16	652.62	625.64	539.78	542.59
Water:										
Number of accounts	4,801	4,819	4,851	4,837	4,858	4,865	4,889	4,949	4,980	5,005
Millions of gallons pumped	453.34	427.11	434.91	423.95	407.40	403.66	367.92	358.38	399.23	390.63
Peak demand (MGD)	2.35	2.02	3.33	2.06	1.90	1.34	2.04	1.86	2.27	2.75
Storm Water:										
Number of accounts	4,729	4,751	4,779	4,858	4,877	4,902	4,928	4,986	5,019	5,053

NA: Information not available

Source: Departments of the City

**CITY OF FERGUS FALLS, MINNESOTA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	18	17	17	17	18	19	19	19	22	20
Fire Stations	1	1	1	1	1	1	1	1	1	1
Street:										
Miles of roadway	116.06	116.05	115.82	118.64	118.64	118.71	118.71	119.89	119.12	122.01
Traffic signals	13	13	13	13	13	13	13	13	13	13
Park & Recreation:										
Acres	351	351	351	445	445	455	466	551	551	551
Parks	23	23	23	25	25	25	27	27	29	29
Ball fields	12	12	12	12	12	12	12	13	13	13
Soccer fields	4	4	4	4	4	4	4	4	4	4
Playgrounds	10	10	10	10	10	11	11	11	11	11
Liquor Stores	2	2	2	2	2	2	2	2	2	2
Water:										
Miles of water mains	NA	103.95	103.95	104.42	104.42	106.06	106.84	107.44	107.52	107.60
Fire hydrants	701	703	703	703	704	704	743	755	756	760
Storage capacity (millions of gallons)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Waste Management:										
Collection trucks	8	8	8	8	9	9	8	8	8	8
Sewage Disposal:										
Miles of sewer mains	92.58	92.58	92.66	92.66	92.66	92.72	93.02	93.61	93.61	93.81
Treatment capacity (millions of gallons)	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81	2.81

NA: Information not available

Source: Departments of the City

**City of Fergus Falls
Otter Tail County, Minnesota**

Communications Letter

December 31, 2022

**City of Fergus Falls
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

Honorable Mayor, Members
of the City Council and Management
City of Fergus Falls
Fergus Falls, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2022, 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, 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 opinion 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The significant deficiency identified is stated within this letter.

The City's written response to the significant deficiency identified in our audit has not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 19, 2023, on such statements.

This communication, which is an integral part of our audit, is intended solely for the information and use of management, the Members of the City Council, others within the City, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation extended to us by management and employees of the City during our audit.



St. Cloud, Minnesota
May 19, 2023

City of Fergus Falls Significant Deficiency

Lack of Segregation of Accounting Duties

The City and its discretely presented component units had a lack of segregation of accounting duties due to a limited number of office employees. Although this meets the definition of a significant deficiency, it may not be practical to correct since the costs of hiring a sufficient number of employees to eliminate the significant deficiency may exceed benefits that could be derived. However, management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to post entries to the general ledger.
- The Payroll Officer enters payroll information, calculates payroll, enters the information into the payroll system, prints payroll checks, and submits direct deposits.

City's Response

The City has determined the costs of hiring additional staff for the purpose of further segregation of accounting duties exceeds the estimated benefits which could be realized. City staff will continue to monitor internal controls and implement necessary changes.

City of Fergus Falls Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2022. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our responsibility with respect to the other information in documents containing the audited basic financial statements and auditor's report does not extend beyond the basic financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited, and we do not express an opinion or provide any assurance on it.

City of Fergus Falls Required Communication

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results. Management override of control through the journal entry process was identified as a risk.
- Revenue recognition is considered a fraud risk on substantially all engagements as it is generally the largest line item impacting a city's operating results. Improper revenue recognition specifically related to charges for services in the Enterprise Funds, property taxes, and special assessments was identified as a risk.
- If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements being made. Misappropriation of assets through the bank transfer process was identified as a risk.
- Risk of material misstatement with implementation of new standards is considered a risk in all engagements. The risk of material misstatement through the implementation of GASB 87 was identified as a risk.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

City of Fergus Falls Required Communication

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Landfill Closure and Post Closure Care Costs – The City is required to accrue a liability for costs of closing landfills and maintaining these sites after final closing. This liability is an estimate of the costs that will be required.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the City for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Relating to Pensions and Deferred Inflows of Resources relating to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

City of Fergus Falls Required Communication

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the other information accompanying the basic financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**City of Fergus Falls
Required Communication**

Other Information Included in Annual Reports (Continued)

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

City of Fergus Falls Financial Analysis

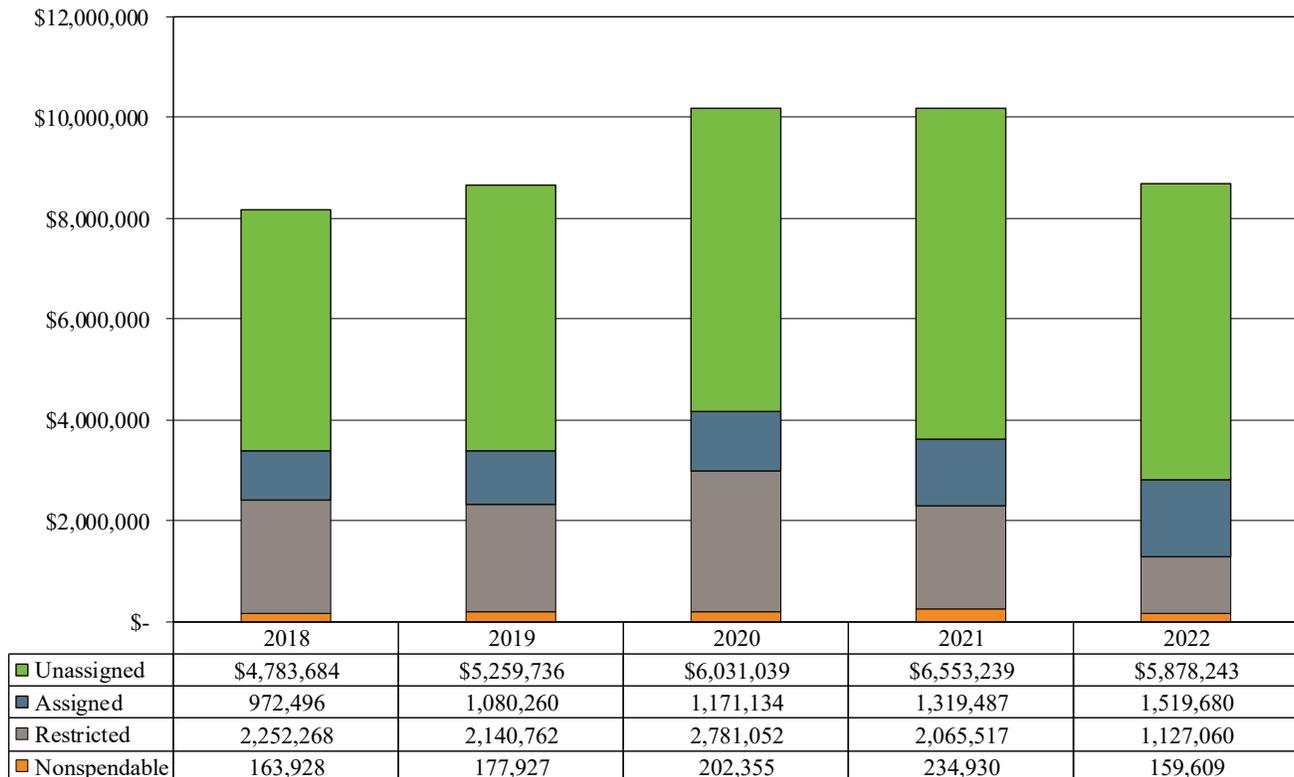
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance.

General Fund Balance

During the year-ended December 31, 2022, the General Fund balance decreased \$1,488,581 to \$8,684,592 from the 2021 ending General Fund balance of \$10,173,173.

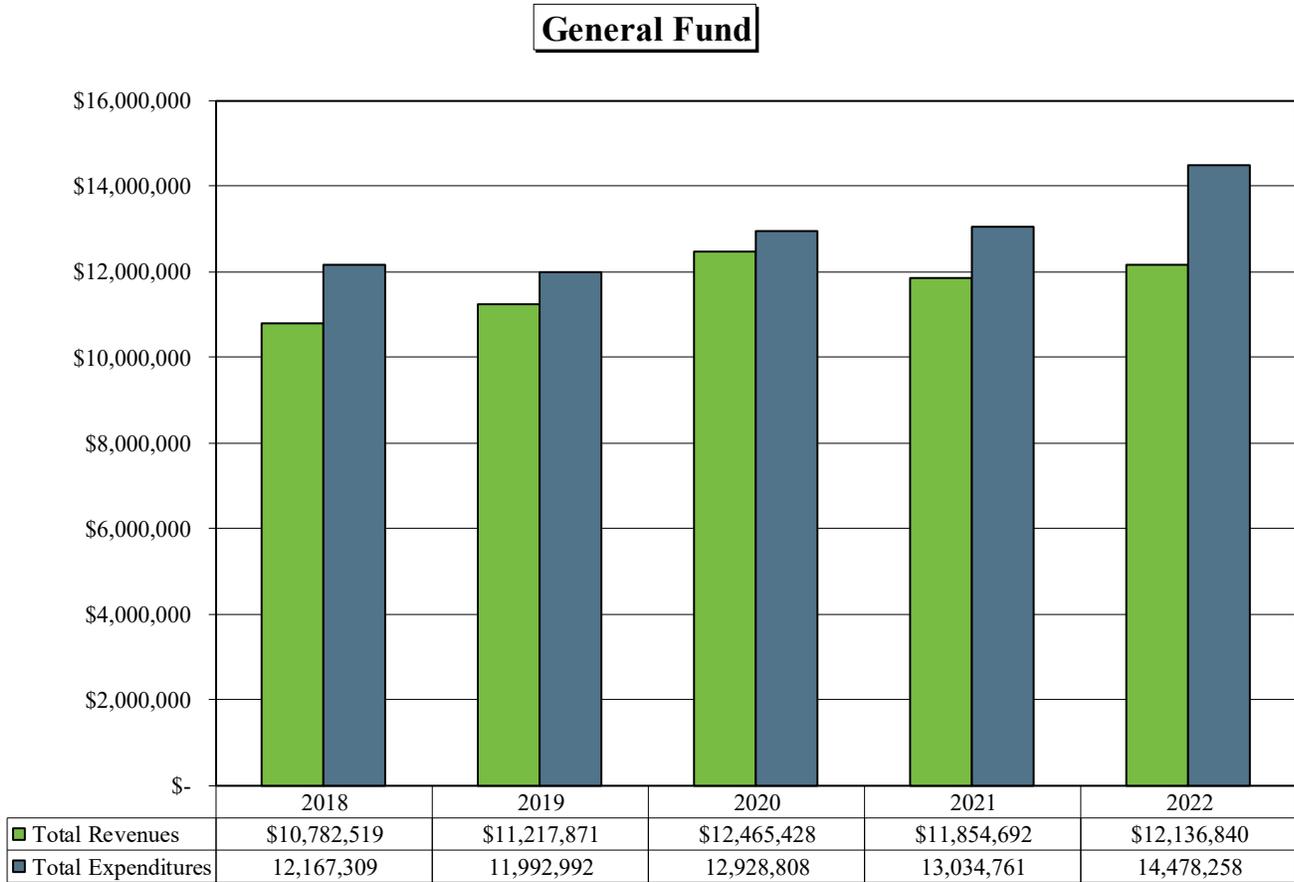
The City's policy is to maintain an unassigned fund balance in the General Fund in the range of 35% to 40% of the subsequent year's working capital budgeted expenditures. Based on that policy, the unassigned fund balance of \$5,878,243 represents approximately 42.92% of the subsequent year's working capital budgeted expenditures. Restricted fund balance decreased due to a decrease in the community ice arena restriction with the purchase of a chiller system as well as a decrease in street maintenance funds due to the spending of these funds in 2022. Assigned fund balance increased due to an increase in the assignment for future capital outlay expenditures as funds were carried over future spending. Unassigned fund balance, which is the remaining fund balance not included in nonspendable, restricted, or assigned, decreased based on fund activity and changes in the other categories of fund balance.

General Fund Balance



**City of Fergus Falls
Financial Analysis**

General Fund

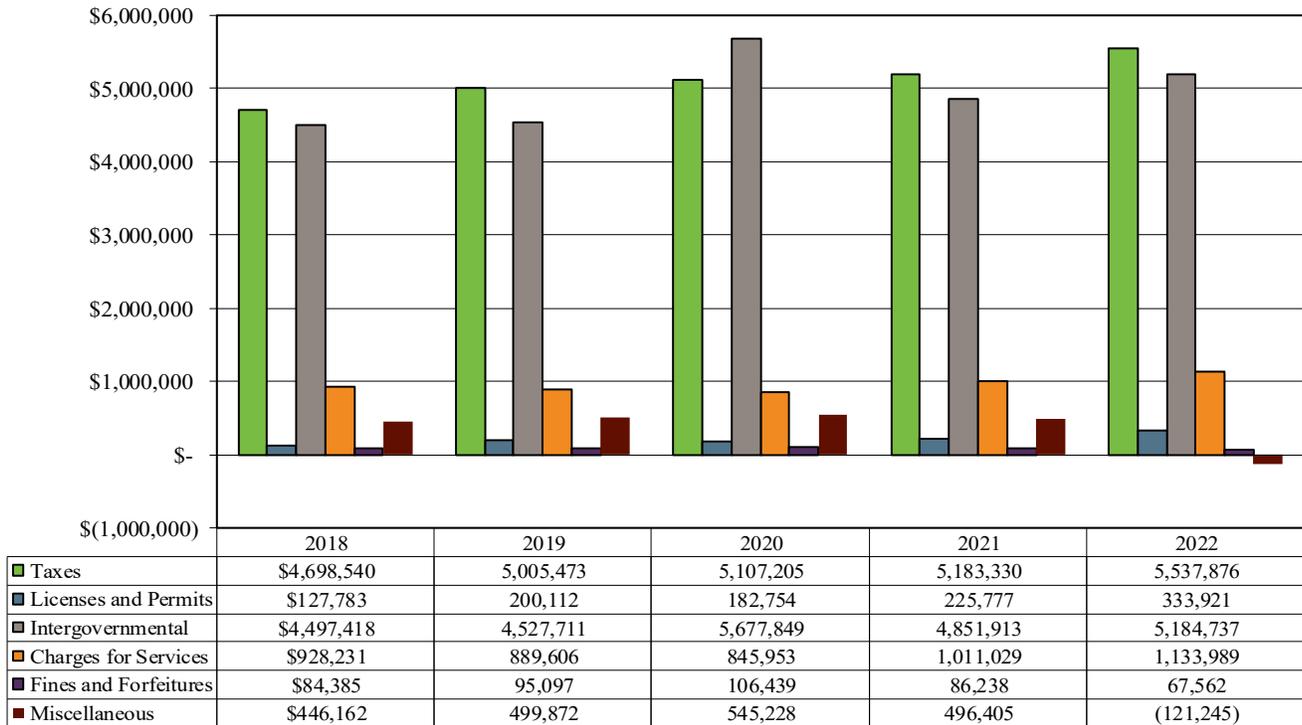


General Fund revenues increased from 2021 by \$282,148 or 2.4%. Meanwhile, expenditures increased \$1,443,497, or 11.1%. As a result, expenditures exceeded revenues by \$2,341,418. The City also transferred amounts between funds. These amounts reported as other financing sources and uses, combined with revenue and expenditure activity and a change in accounting principle resulted in a decrease in General Fund balance of \$1,488,581, as discussed earlier. Further detailed explanations regarding variances will follow in subsequent charts.

City of Fergus Falls Financial Analysis

General Fund Revenues

General Fund Revenues

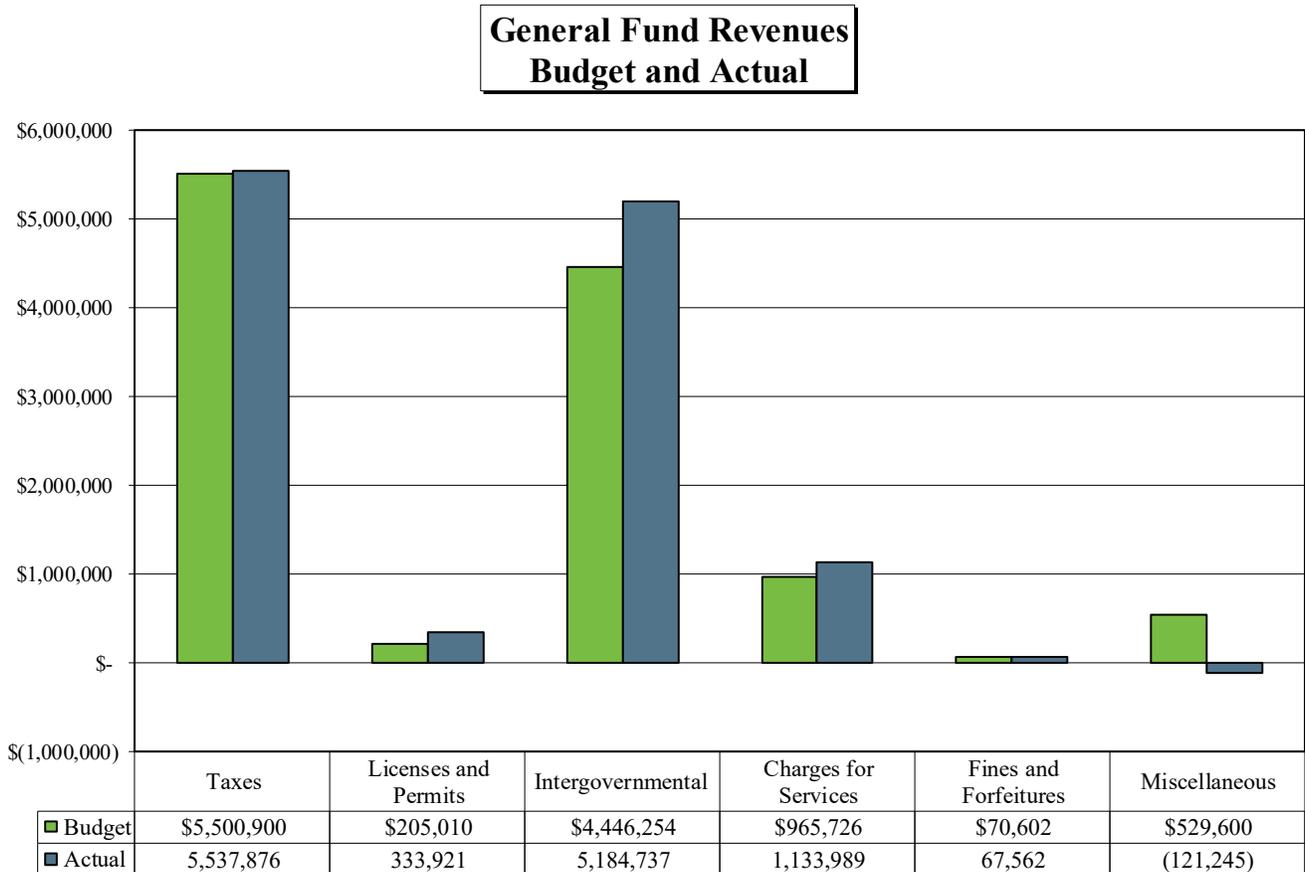


As noted earlier, General Fund total revenues increased in 2022 by approximately 2.4%. The most significant increase in revenues was taxes revenues, which increased by \$354,546, or 6.8%, largely due to an increase in the General Fund levy. Intergovernmental revenue increased \$332,824, or 6.9%, primarily due to the spending of a portion of the American Rescue Plan funds. Charges for services increased \$122,960, or 12.2%, due to additional revenue collected for the rental of a temporary arena chiller and the operation of summer ice season. Licenses and permits increased by \$108,144, or 47.9%, due to an increase in the amount of building permits issued. Partially offsetting these increases, miscellaneous revenues decreased \$617,650 due to unrealized losses on investments, which are required to be recorded at market value, due to increasing interest rates.

City of Fergus Falls Financial Analysis

General Fund Revenues (Continued)

The following graph shows the actual General Fund revenues and the corresponding budgeted amounts.



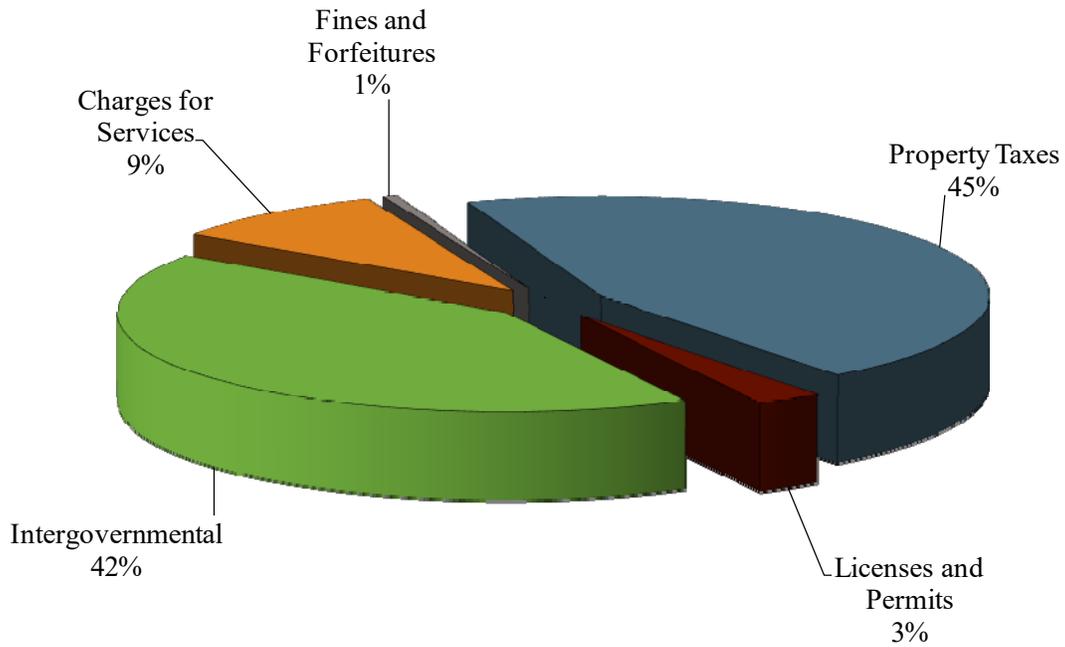
In total, actual revenues were over the budgeted amount by \$418,748, or 3.6%. The largest variance was in intergovernmental revenues, which were \$738,483 over budget due to the City budgeting conservatively for municipal state aid so that unused funding can be accumulated and carried over to subsequent years, and the City not budgeting for the spending of federal American Rescue Plan funds. Licenses and permits revenues were \$128,911 over budget due to more building permits being issued than anticipated. Charges for services were over budget \$168,263 due to revenue collected for the rental of the temporary arena chiller and the operation of summer ice season that were not included in the budget. Partially offsetting these variances, miscellaneous revenues were \$650,845 under budget due to budgeting for positive investment income but actual investment income was negative in 2022 as a result of negative unrealized losses on investments. All other categories were similar to the budgeted amounts.

The charts on the following page illustrate the sources of General Fund revenues by percentage of total revenue for 2022 and 2021. Property taxes and intergovernmental revenues make up the largest portions of revenue. Property taxes were 45% and 44% of revenue in 2022 and 2021, respectively, while intergovernmental revenues were 42% and 41% of revenue in 2022 and 2021, respectively.

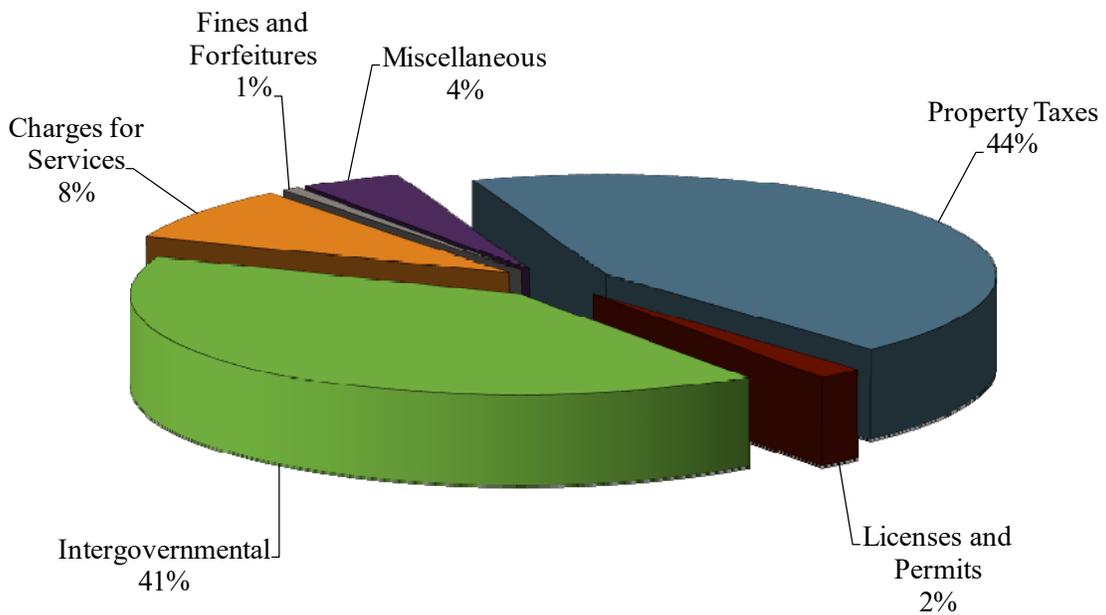
City of Fergus Falls Financial Analysis

General Fund Revenues (Continued)

General Fund Revenues 2022



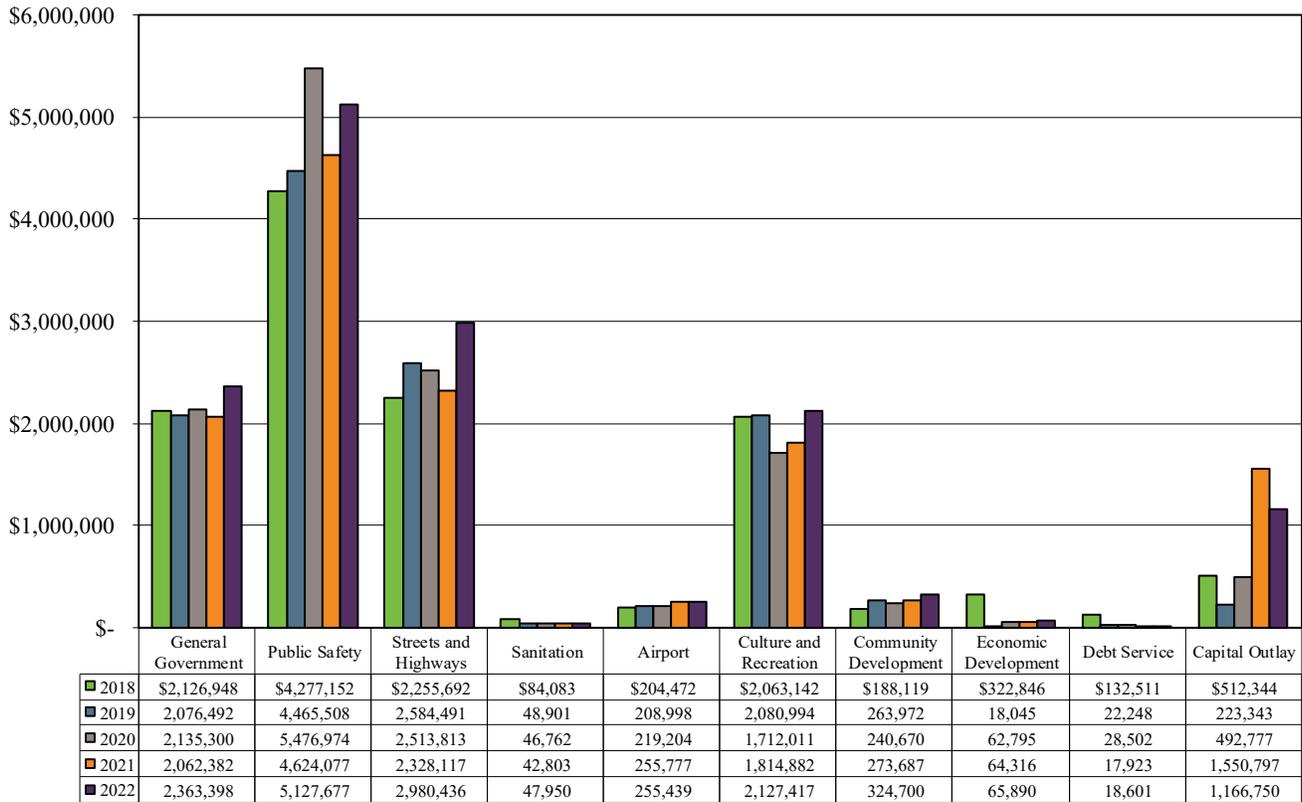
General Fund Revenues 2021



City of Fergus Falls Financial Analysis

General Fund Expenditures

General Fund Expenditures

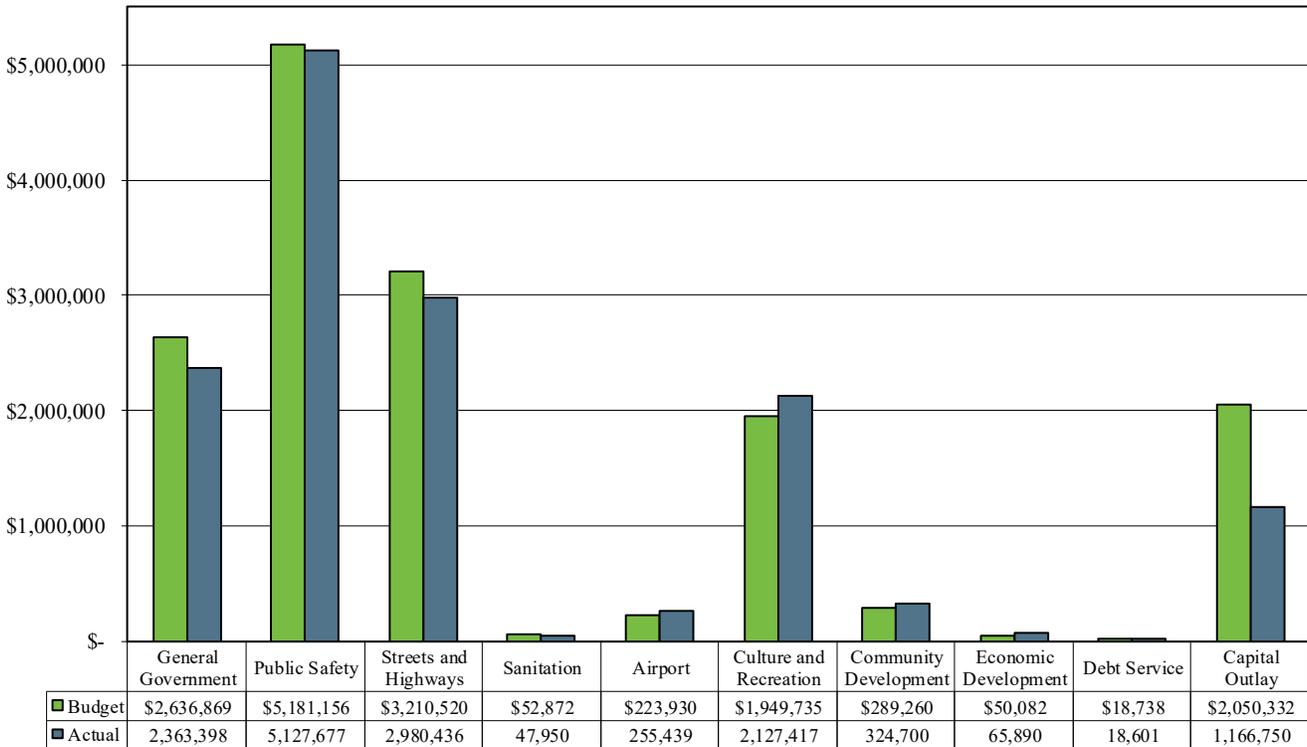


As discussed earlier, total expenditures increased 11.1%. General government expenditures increased \$301,016 largely due to increases in wages and benefits including a phased retirement for the IT Director, moving the Flexible Benefit Fund to the General Fund, and general election related wages, as well as implementing Office 365 in 2022. Public safety expenditures increased \$503,600 primarily due to increases in wages and benefits including increases related to retirements and benefits owed payouts and increases in health insurance rates. Streets and highways expenditures increased \$652,319 due to more bituminous overlay projects, a seal coat project, more sand and gravel purchases, and increased snow removal and costs associated with it. Culture and recreation expenditures increased \$312,535 due to a temporary chiller rental for the arena, increased wages and benefits, and increased equipment rental costs paid to the Equipment Internal Service Fund. Partially offsetting these increases, capital outlay expenditures decreased \$384,047 primarily due to the purchase of a fire truck in 2021.

City of Fergus Falls Financial Analysis

General Fund Expenditures (Continued)

**General Fund Expenditures
Budget and Actual**



In total, General Fund expenditures were \$1,185,236 or 7.6%, under budget.

The most significant variance occurred in capital outlay expenditures, which were \$883,582 under budget. The City is anticipating purchasing equipment and completing improvements in future years. The City's budget practices allow for carryover of unspent capital outlay budgets for future capital purchases. This practice reduces the need for debt issuance for significant capital expenditures. Funds carried over to subsequent years are included in General Fund assigned fund balances.

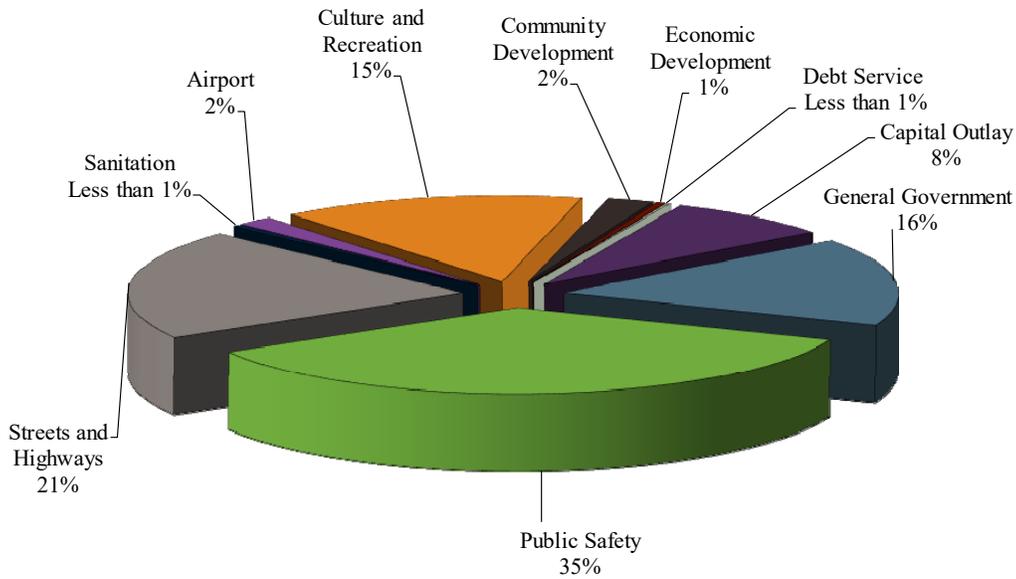
General government expenditures were \$273,471 under budget due to budgeting benefits owed funds that went unused and budgeting for the use of fund balance for a comprehensive plan that did not happen. Street and highways expenditures were \$230,084 under budget due to carrying over funds for bituminous projects and snow and ice removal, lower than anticipated street lighting and electric utilities, and project costs that did not happen in 2022. Culture and recreation expenditures were \$177,682 over budget primarily due to a temporary chiller rental for the arena funded by the user groups.

City of Fergus Falls Financial Analysis

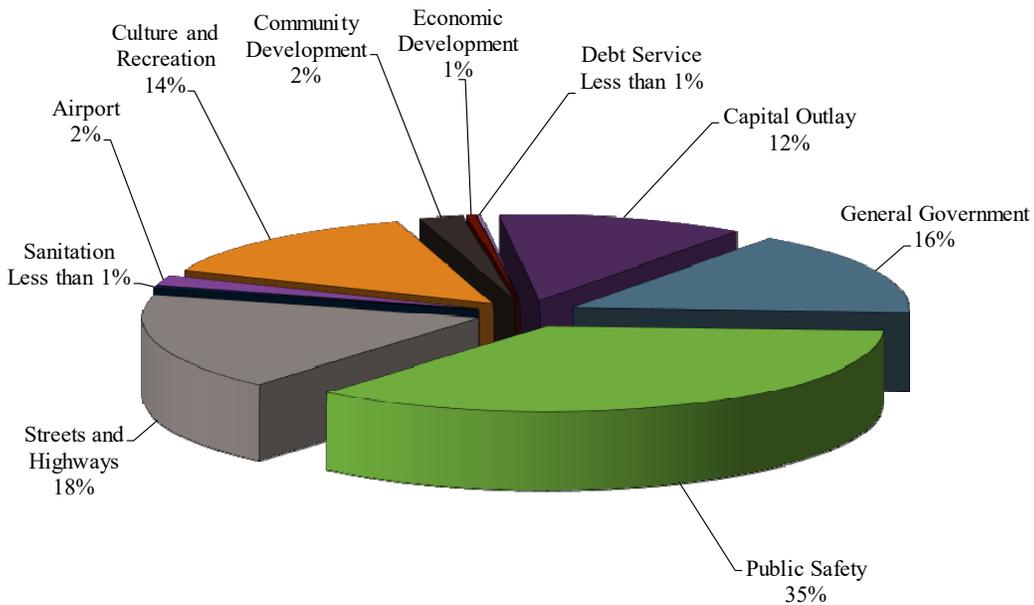
General Fund Expenditures (Continued)

The charts below illustrate the allocation of General Fund expenditures by program. The allocation of total expenditures by program has been stable over the last two years, which is an indication of sound budgeting and planning practices, which allow the City to avoid major fluctuations or swings in spending levels between programs. Expenditures stayed consistent between programs from 2021 to 2022.

General Fund Expenditures 2022



General Fund Expenditures 2021



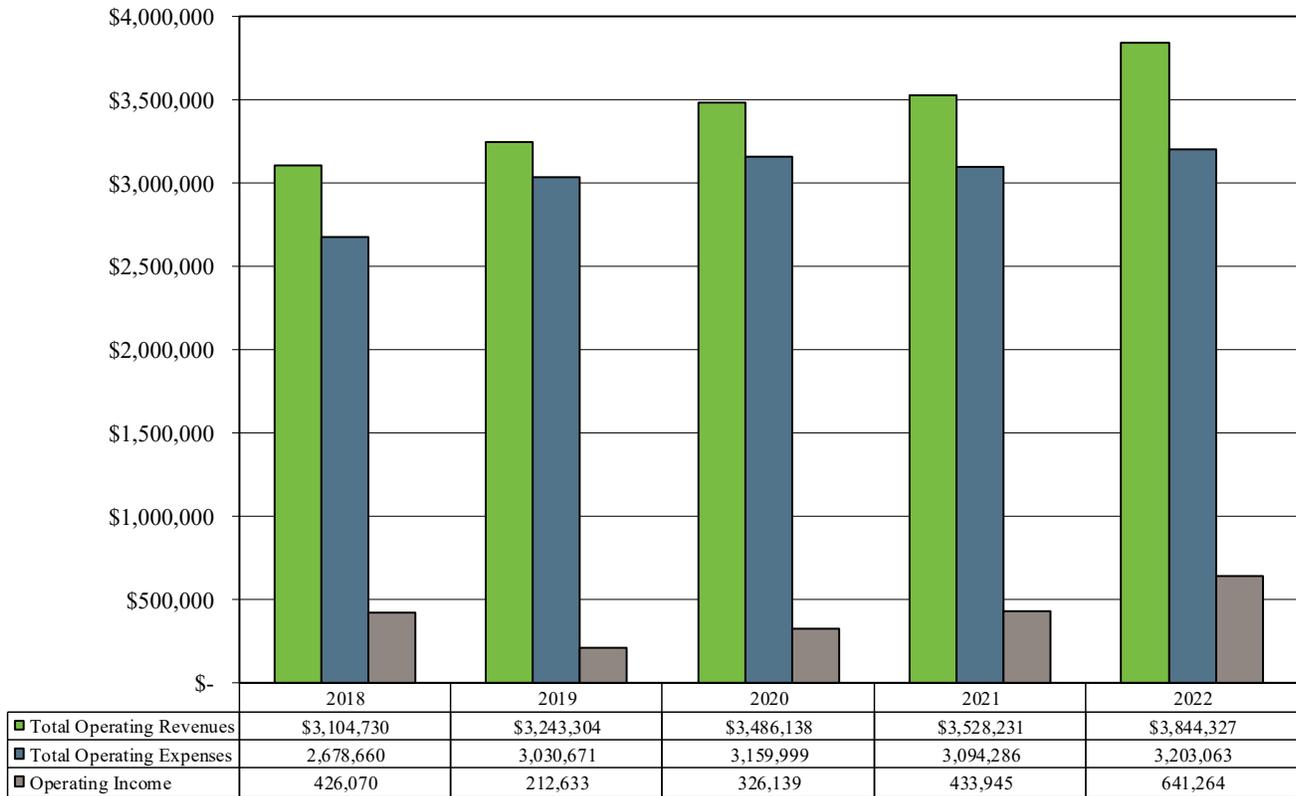
City of Fergus Falls Financial Analysis

Enterprise Funds

The graphs below and on the following pages illustrate the current operations of the Waste Management, Sewage Disposal, Water Department, Storm Water, and Municipal Liquor Funds. Each of these funds reported operating income in 2022, which indicates the funds have established rates sufficient to help cover future replacement of capital assets. We recommend the City continue to monitor operations of each enterprise fund to ensure continued positive operating results.

Waste Management Fund

Waste Management Fund



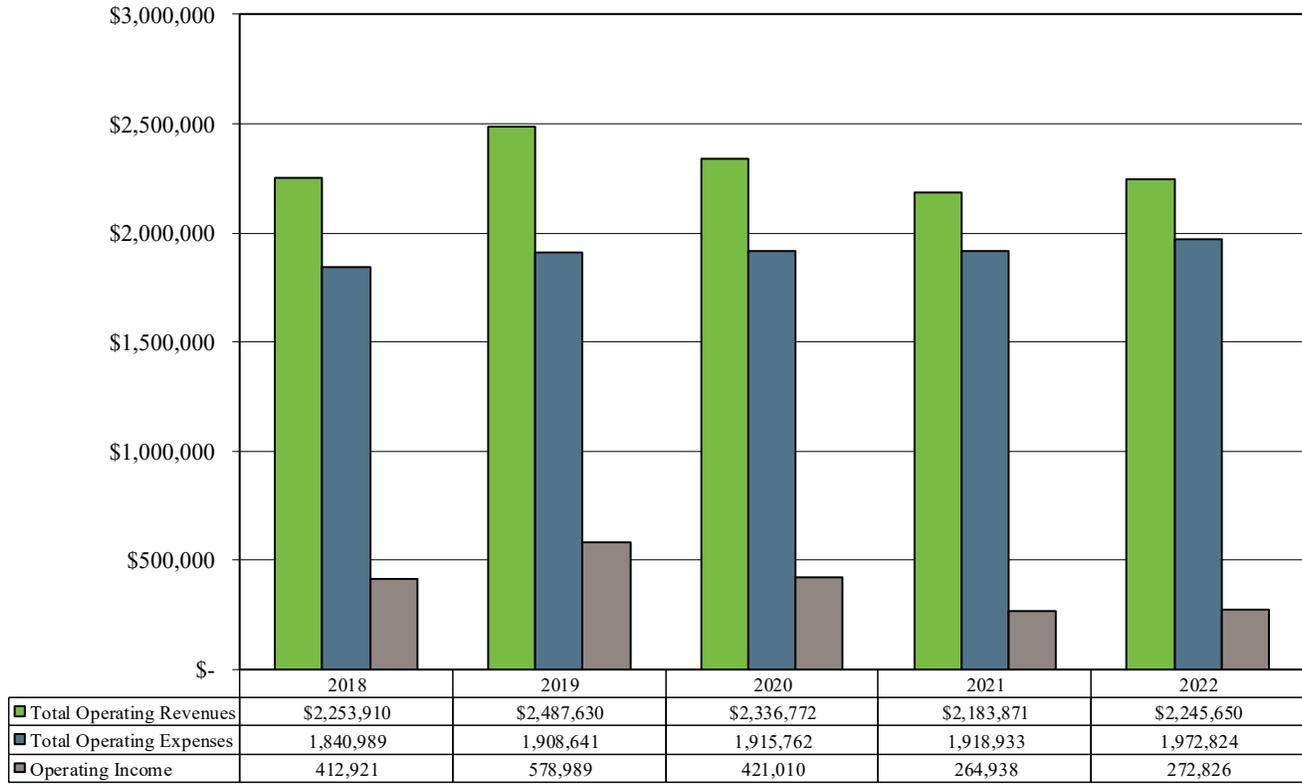
The Waste Management Fund experienced operating income of \$641,264 in 2022. The Fund experienced an operating income in each of the five years presented.

In 2022, operating revenues increased \$316,096, or 9.0%, while operating expenses increased \$108,777, or 3.5%. The increase in operating revenues was due to an increase in tipping fees, recycling fees, and demolition fees. Operating expenses increased due to increased pension expense for the allocation of the City's proportionate share of the PERA net pension liability.

**City of Fergus Falls
Financial Analysis**

Sewage Disposal Fund

Sewage Disposal Fund

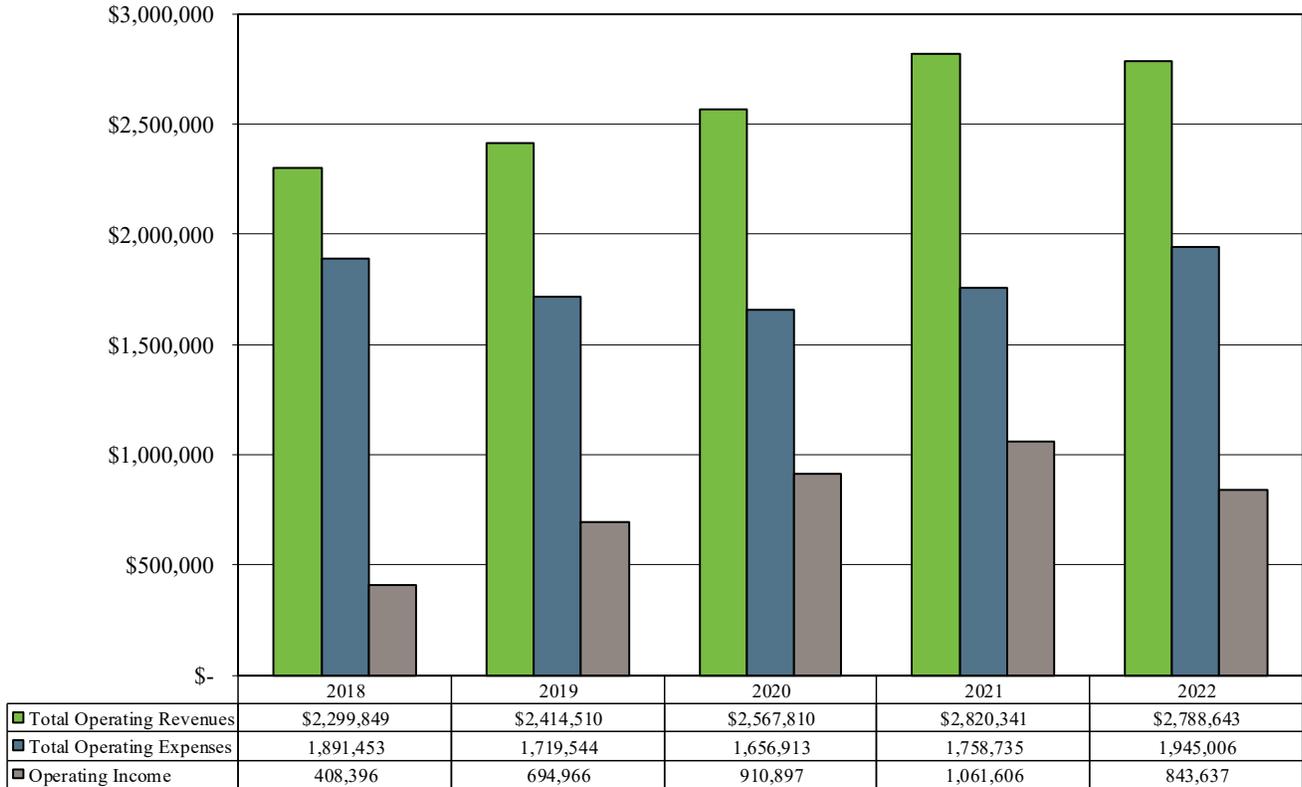


The Sewage Disposal Fund reported operating income in each of the last five years. Operating revenues increased \$61,779, or 2.8%, while operating expenses increased \$53,891, or 2.8%. Operating revenues and operating expenses were consistent with the prior year.

**City of Fergus Falls
Financial Analysis**

Water Department Fund

Water Department Fund

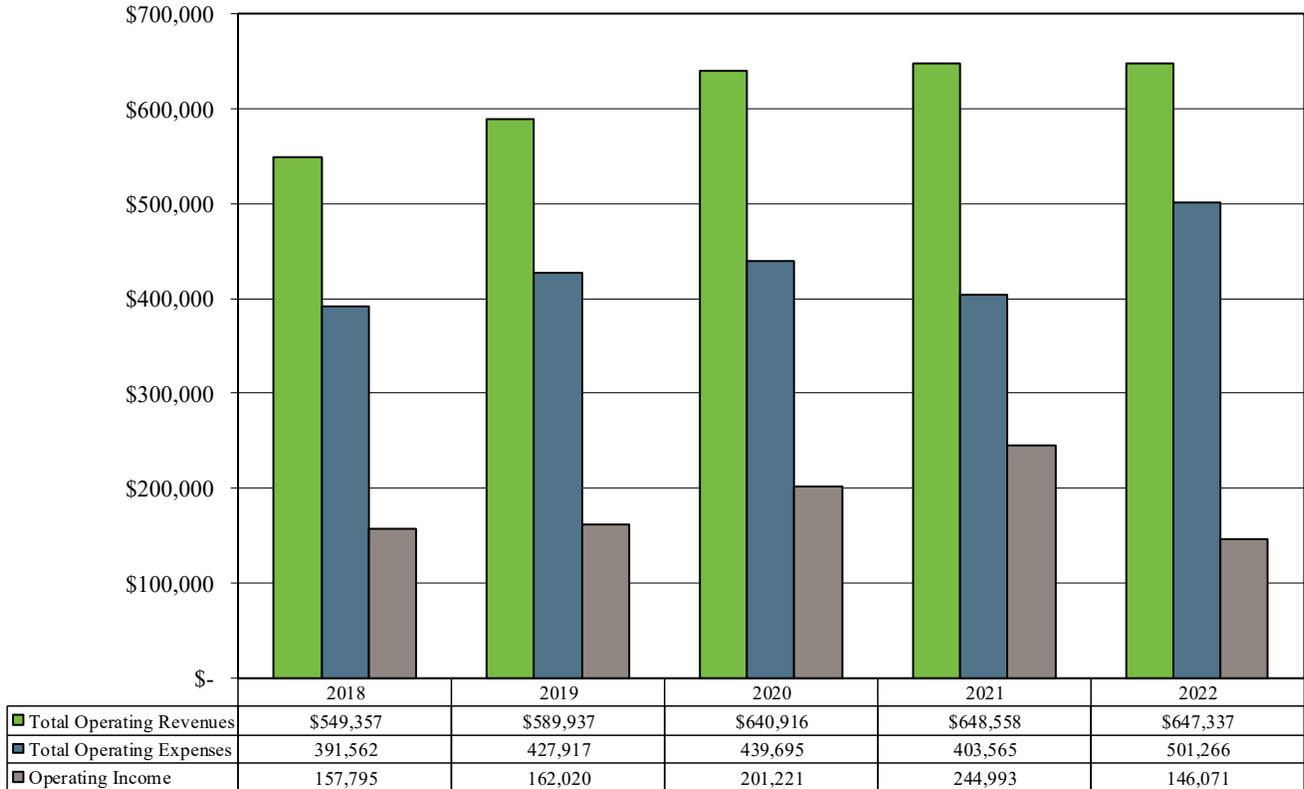


In 2022, operating revenues for the Water Department Fund decreased \$31,698, or 1.1%. Operating expenses increased \$186,271, or 10.6%, due to increased wages and benefits including increased pension expense for the allocation of the City's proportionate share of the PERA net pension liability. Additionally, maintenance supplies and water meter costs increased from the prior year.

**City of Fergus Falls
Financial Analysis**

Storm Water Fund

Storm Water Fund

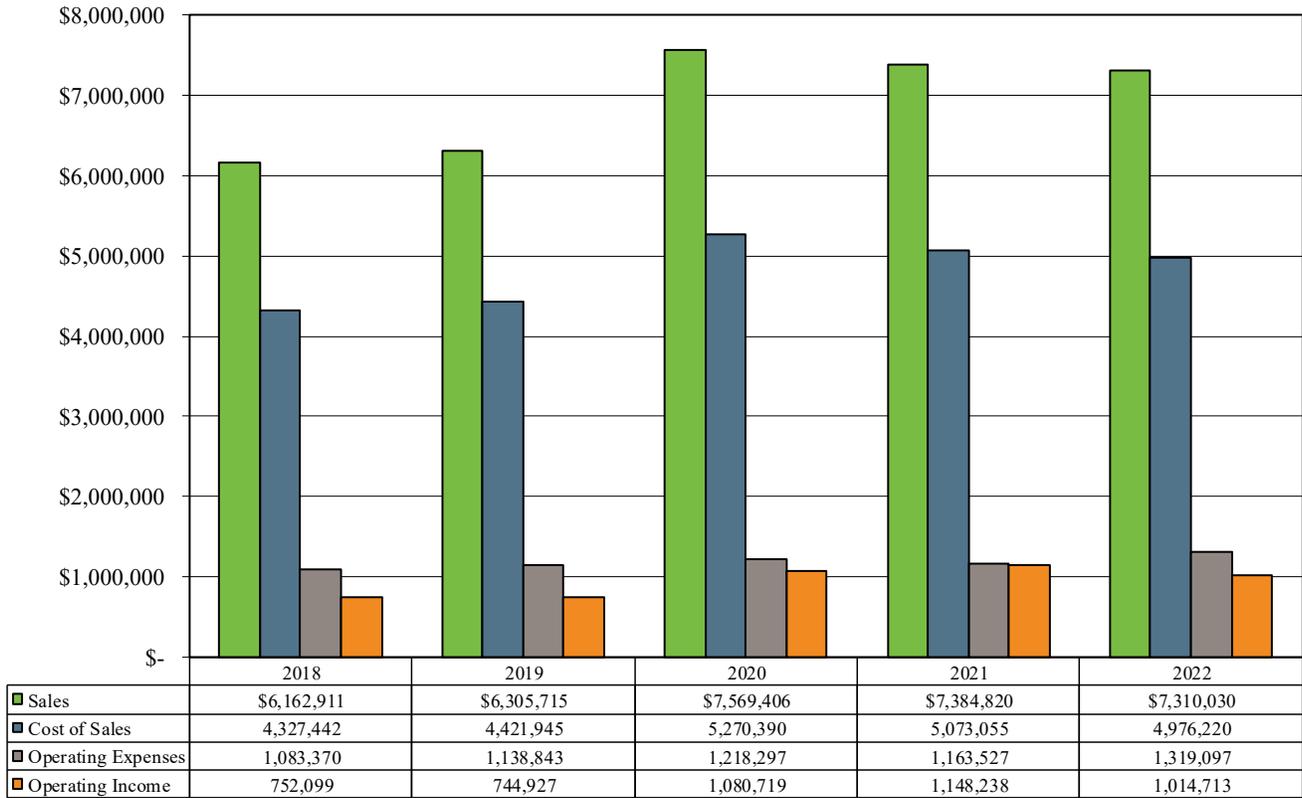


Operating revenues in the Storm Water Fund were stable from 2021 to 2022, decreasing \$1,221, or 0.2%. Operating expenses increased \$97,701, or 24.2%, from 2021 due to an increase in wages and benefits allocated to the Storm Water Fund based on hours worked, and an increase in vehicle costs allocated to the Storm Water Fund. In addition, various maintenance projects costs increased including slough level control, culvert replacement, open ditching, and retention pond management.

**City of Fergus Falls
Financial Analysis**

Liquor Fund

Liquor Fund



Liquor store sales decreased \$74,790, or 1.0%, while costs of sales decreased \$96,835, or 1.9%, in 2022. Because the City's sales decreased at a lower rate than cost of sales, the gross profit percentage of the Liquor Store Fund increased as illustrated on the following page. Operating expenses increased \$155,570, or 13.4%, due to increased wages and benefits including pension expense related to the allocation of the City's proportionate share of the PERA net pension liability and increased credit card processing fees. Operating income totaled \$1,014,713 in 2022.

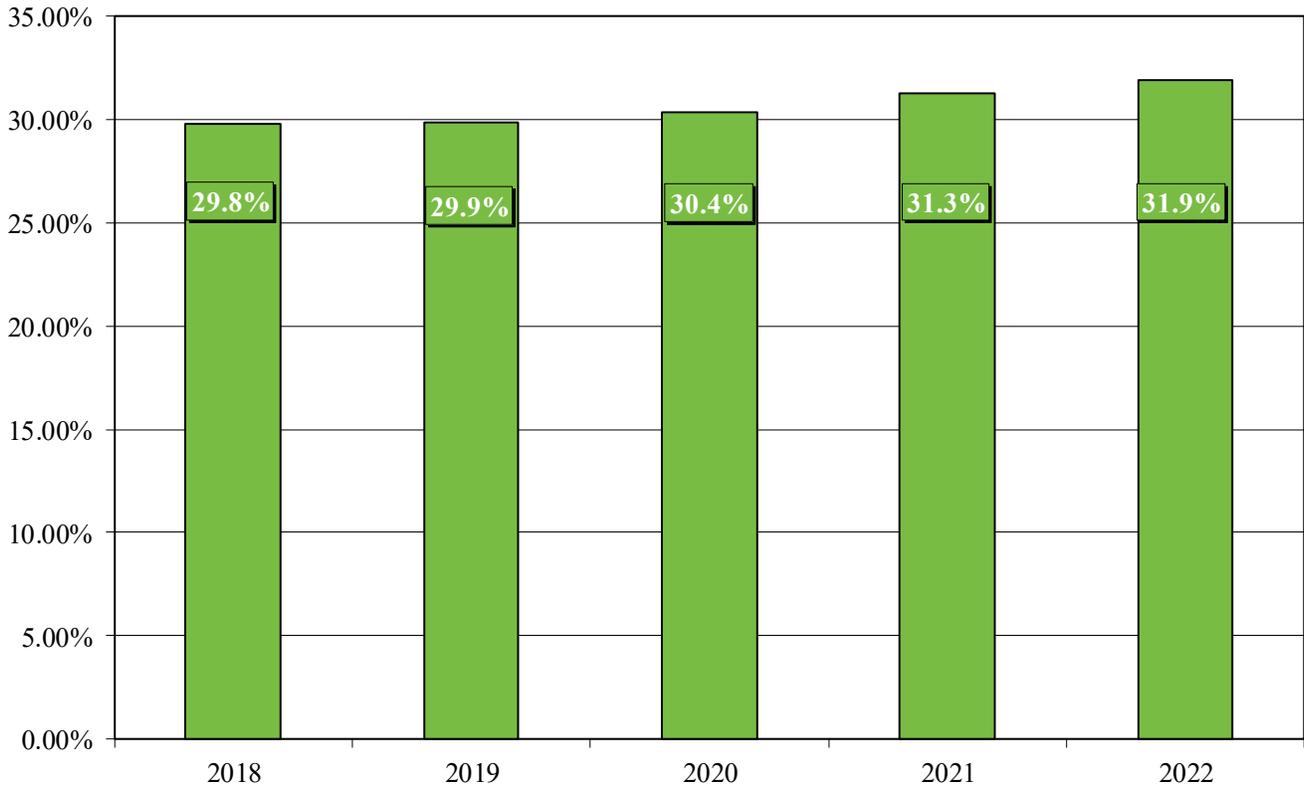
The Liquor Fund was able to transfer \$675,189 to other funds to support City operations. The Liquor Fund transferred \$665,419 to the General Fund to reduce the City's property tax burden. The Liquor Fund also transferred \$9,770 to the Operations Capital Project Fund for capital funding.

**City of Fergus Falls
Financial Analysis**

Liquor Fund (Continued)

Shown below are charts depicting the overall gross percentage and the activity for both the West Side Liquor Store and the East Side Liquor Store. The West Side Liquor Store experienced operating income of \$835,805, compared to the East Side Liquor Store with operating income of \$178,908. Gross profit percentages were calculated for the West and East stores at 31.7% and 32.6%, respectively.

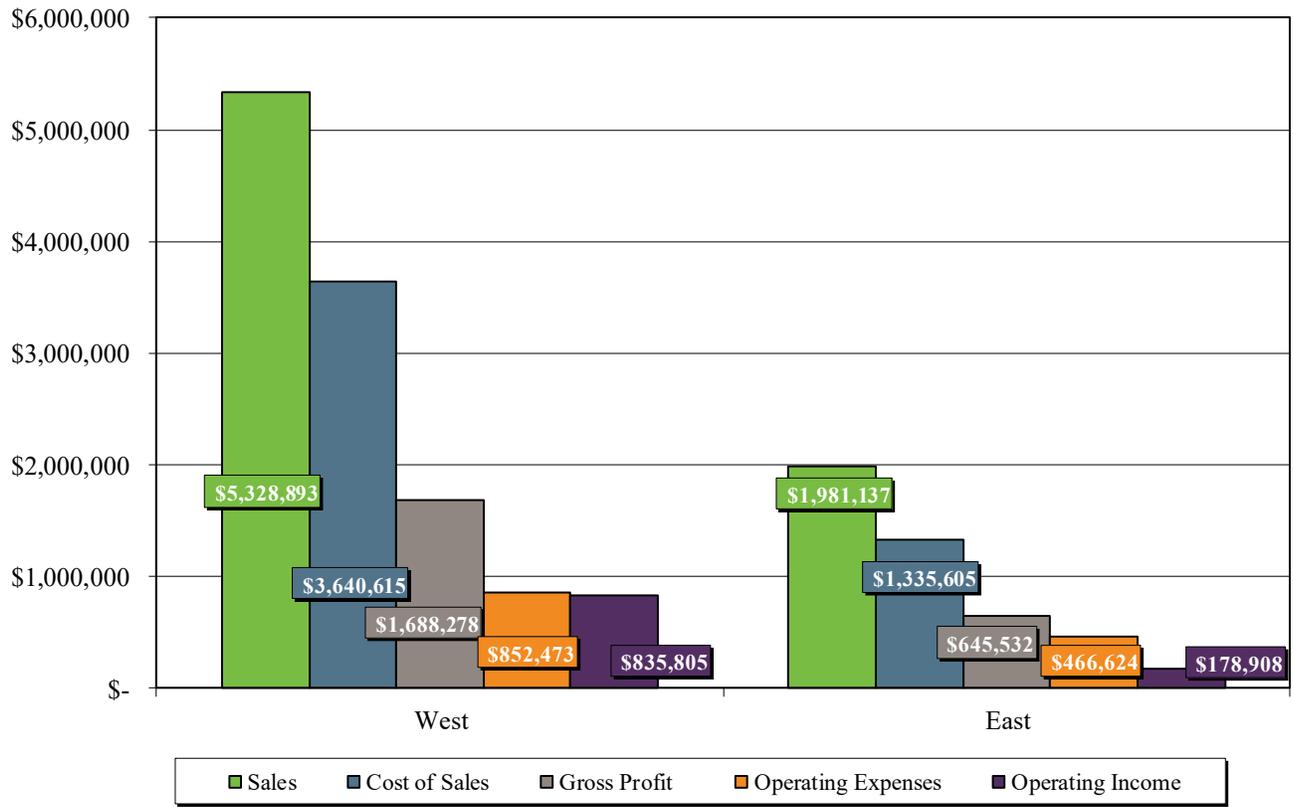
Liquor Store Fund - Gross Profit Percentage



**City of Fergus Falls
Financial Analysis**

Liquor Fund (Continued)

Liquor Store Fund - Store Comparison

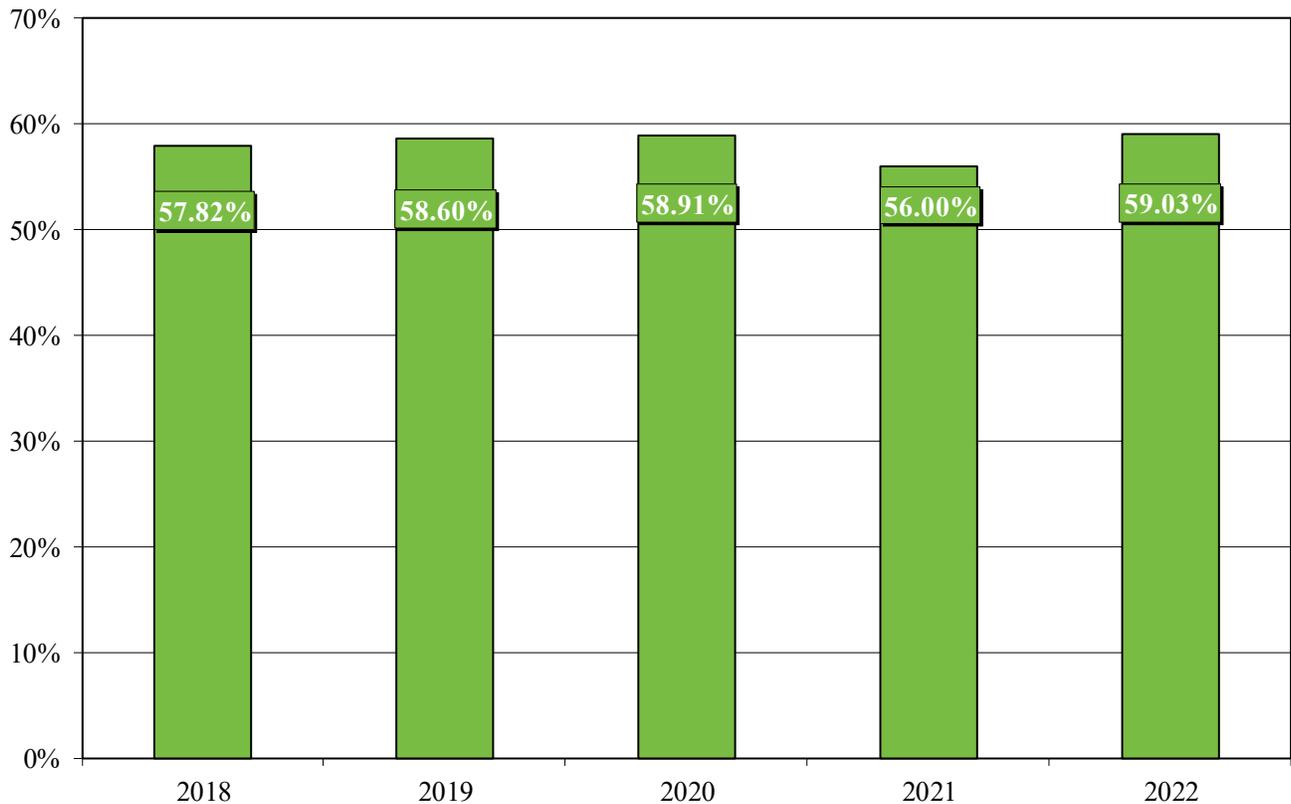


City of Fergus Falls Financial Analysis

Tax Capacity and Market Value

The next two graphs present tax capacity rates, net taxable tax capacity, and tax levy information for the City for the past five years. The City's net taxable tax capacity has increased each year since 2018. The City's levy increased each year from 2018 to 2020, remained stable in 2021, and increased in 2022. The City's tax capacity rate increased from 2018 to 2019 before decreasing in 2020 and 2021 and then increasing again in 2022.

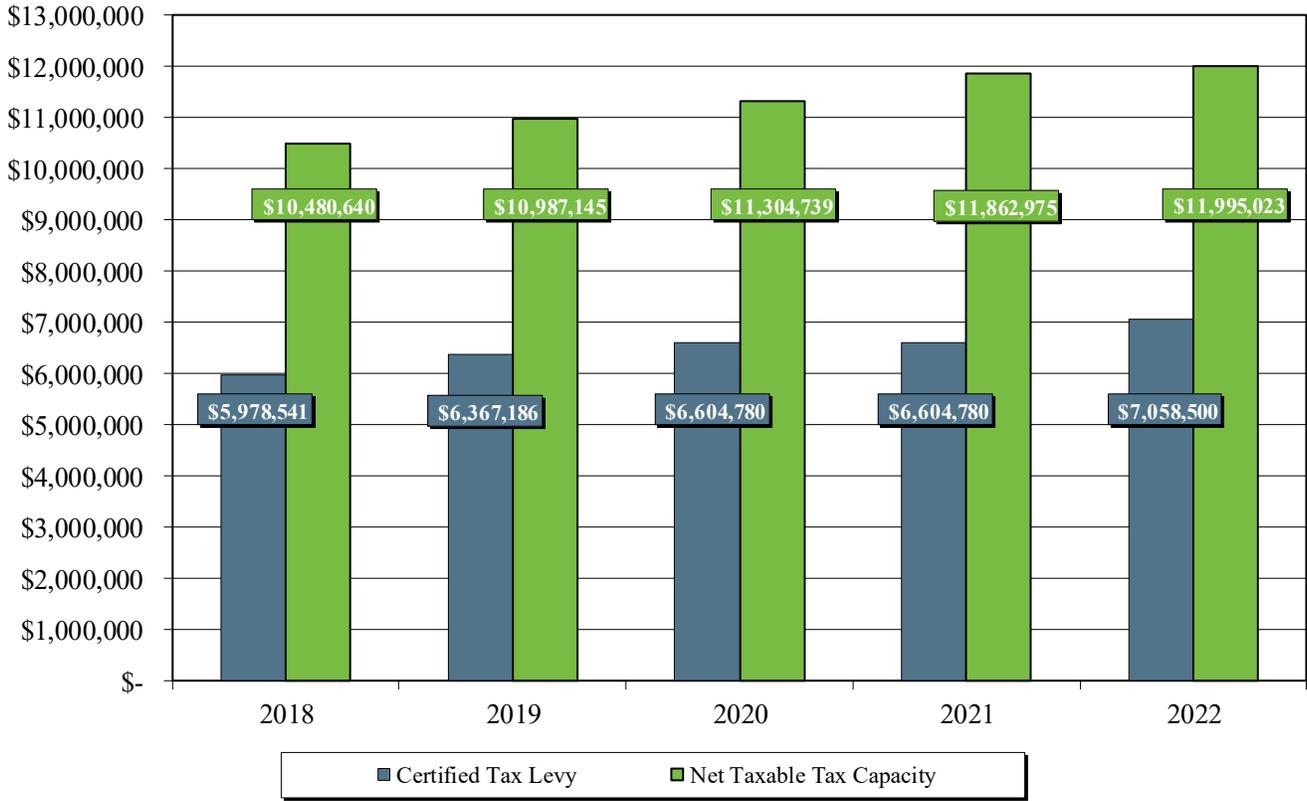
Tax Capacity Rate



**City of Fergus Falls
Financial Analysis**

Tax Capacity and Market Value (Continued)

Tax Levies and Capacities

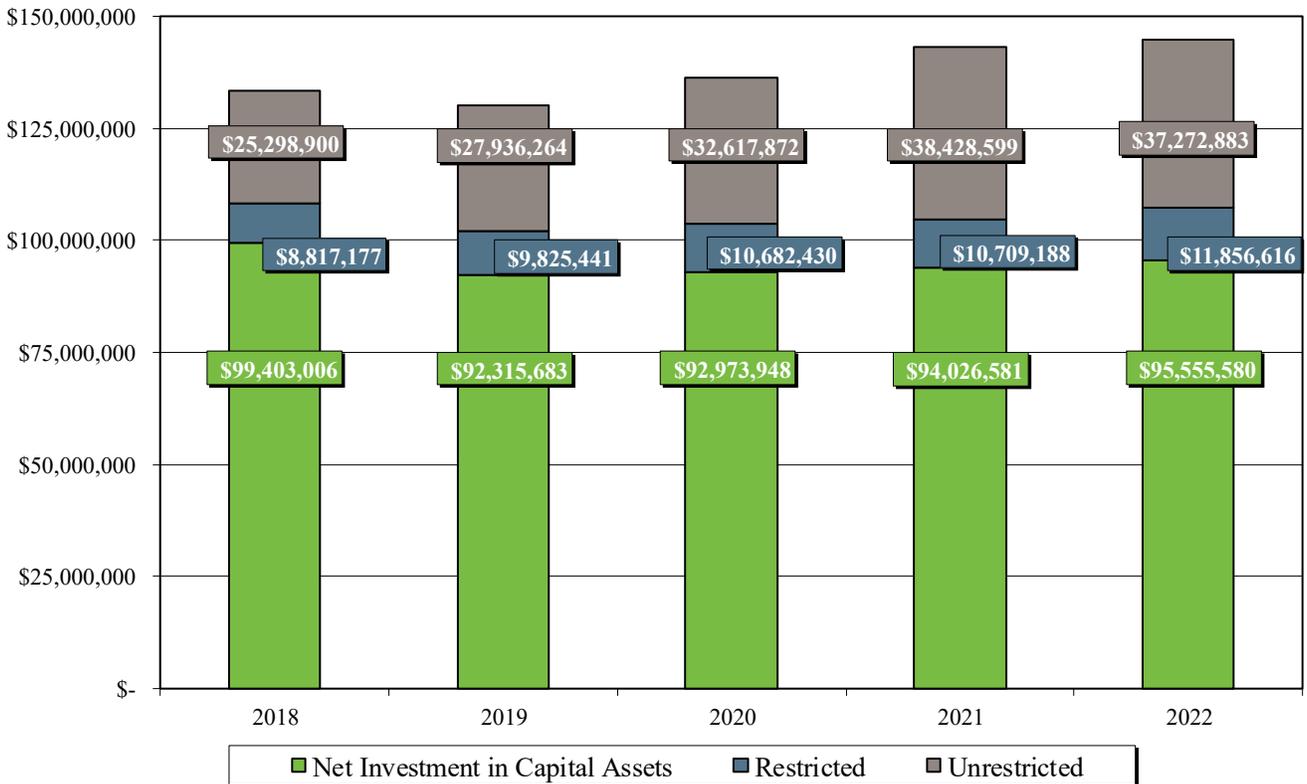


City of Fergus Falls Financial Analysis

Statement of Net Position

The following graph shows the components of total net position found in the Statement of Net Position. Total net position increased \$1,520,711, or 1.1%, as a result of 2022 activity.

Components of Net Position



Net investment in capital assets increased due to the City's continued investment in capital assets and paying down debt issued to acquire capital assets faster than the assets are being depreciated. Restricted net position increased due to the sale of the Lakes Country Service Cooperative (LCSC) building due to GASB Statement No. 87 implementation, the proceeds of which are restricted for future debt service payments. Unrestricted net position decreased as a result of 2022 City activity including an increase in the PERA imposed net pension liability and significant unrealized losses on investments and changes in the other net position classifications.

City of Fergus Falls Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 96 – Subscription-Based Information Technology Arrangements**
GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and its applicability to your City.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended

City of Fergus Falls Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

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.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, – which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

City of Fergus Falls Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This 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.

City of Fergus Falls Emerging Issues

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 (Continued)*

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.

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.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

City of Fergus Falls
Emerging Issues

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)

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.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

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.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Fergus Falls
Otter Tail County, Minnesota**

**Reports on Compliance with
Government Auditing Standards and
Legal Compliance**

December 31, 2022



City of Fergus Falls
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**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***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in United States of America and the standards applicable to the 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 19, 2023.

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

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

Report on Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response on Internal Control as Audit Finding 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

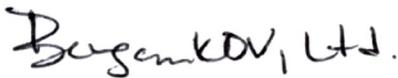
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response on Internal Control. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



St. Cloud, Minnesota
May 19, 2023

Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fergus Falls
Fergus Falls, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fergus Falls, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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.

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.

BergankDV, Ltd.

St. Cloud, Minnesota
May 19, 2023

**City of Fergus Falls
Schedule of Finding and Response on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2022, the City and its discretely presented component units had a lack of segregation of accounting duties due to a limited number of office employees.

Management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to post entries to the general ledger.
- The Payroll Officer enters payroll information, calculates payroll, enters the information into the payroll system, prints payroll checks, and submits direct deposits.

City's Response:

The City has determined the costs of hiring additional staff for the purpose of further segregation of accounting duties exceeds the estimated benefits which could be realized. City staff will continue to monitor internal controls and implement necessary changes